DOCUMENT RESUME

ED 118 014 HE 007 038

TITLE	The Student Financial Aid Act of 1975. Hearings Before the Subcommittee on Postsecondary Education of the Committee on Education and Labor, House of Representatives, Ninety-Fourth Congress, First Session on H.R. 3471 and Related Legislation.
INSTITUTION	Congress of the U.S., Washington, D.C. House Committee on Education and Labor.
PUB DATE	75
NOTE	1,110p.
EDRS PRICE	MF-$2.00 HC-$59.61 Plus Postage
DESCRIPTORS	Cooperative Education; *Federal Aid; *Federal Legislation; *Higher Education; *Private Financial Support; *State Aid; Student Loan Programs; Work Study Programs
IDENTIFIERS	*Student Financial Aid Act 1975

ABSTRACT

The Student Financial Aid Act of 1975 amends Title IV of the Higher Education Act of 1965, as amended, and for other purposes. Parts of the bill cover: (1) grants to students in attendance at institutions of higher education; (2) federal, state, and private programs of low-interest insured loans to students in institutions of higher education; (3) work-study programs; (4) cooperative education program; (5) direct loans to students in institutions of higher education; and (6) general provisions relating to student assistance programs. (Author/KE)

****
* Documents acquired by ERIC include many informal unpublished *
* materials not available from other sources. ERIC makes every effort *
* to obtain the best copy available. Nevertheless, items of marginal *
* reproducibility are often encountered and this affects the quality *
* of the microfiche and hardcopy reproductions ERIC makes available *
* via the ERIC Document Reproduction Service (EDRS). EDRS is not *
* responsible for the quality of the original document. Reproductions *
* supplied by EDRS are the best that can be made from the original. *
****

ED 118 014

HE

THE STUDENT FINANCIAL AID ACT OF 1975

HEARINGS

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H.R. 3471 AND RELATED LEGISLATION

HEARINGS HELD IN WASHINGTON, D.C.,
MARCH 12, 13, 17, 19, 20, 24, 25, 26; APRIL 8, 9, 10, AND 11, 1975

Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, *Chairman*

HE 007 038

U.S. DEPARTMENT OF HEALTH
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

COMMITTEE ON EDUCATION AND LABOR

CARL D. PERKINS, Kentucky, *Chairman*

FRANK THOMPSON, Jr., New Jersey
JOHN H. DENT, Pennsylvania
DOMINICK V. DANIELS, New Jersey
JOHN BRADEMAS, Indiana
JAMES G. O'HARA, Michigan
AUGUSTUS F. HAWKINS, California
WILLIAM D. FORD, Michigan
PATSY T. MINK, Hawaii (on leave)
LLOYD MEEDS, Washington
PHILLIP BURTON, California
JOSEPH M. GAYDOS, Pennsylvania
WILLIAM "BILL" CLAY, Missouri
SHIRLEY CHISHOLM, New York
MARIO BIAGGI, New York
IKE ANDREWS, North Carolina
WILLIAM LEHMAN, Florida
JAIME BENITEZ, Puerto Rico
MICHAEL BLOUIN, Iowa
ROBERT CORNELL, Wisconsin
TED RISENHOOVER, Oklahoma
PAUL SIMON, Illinois
EDWARD BEARD, Rhode Island
LEO ZEFERETTI, New York
GEORGE MILLER, California
RONALD MOTTL, Ohio
TIM HALL, Illinois

ALBERT H. QUIE, Minnesota
JOHN M. ASHBROOK, Ohio
ALPHONZO BELL, California
JOHN N. ERLENBORN, Illinois
MARVIN L. ESCH, Michigan
EDWIN D. ESHLEMAN, Pennsylvania
PETER A. PEYSER, New York
RONALD A. SARASIN, Connecticut
JOHN BUCHANAN, Alabama
JAMES M. JEFFORDS, Vermont
LARRY PRESSLER, South Dakota
WILLIAM F. GOODLING, Pennsylvania
VIRGINIA SMITH, Nebraska

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

JAMES G. O'HARA, Michigan, *Chairman*

JOHN BRADEMAS, Indiana
MARIO BIAGGI, New York
IKE ANDREWS, North Carolina
MICHAEL BLOUIN, Iowa
FRANK THOMPSON, Jr., New Jersey
RONALD MOTTL, Ohio
AUGUSTUS HAWKINS, California
SHIRLEY CHISHOLM, New York
JAIME BENITEZ, Puerto Rico
PAUL SIMON, Illinois
TIM HALL, Illinois
CARL D. PERKINS, *Ex Officio*

EDWIN D. ESHLEMAN, Pennsylvania
JOHN N. ERLENBORN, Illinois
MARVIN L. ESCH, Michigan
JOHN BUCHANAN, Alabama
VIRGINIA SMITH, Nebraska
ALBERT H. QUIE, *Ex Officio*

CONTENTS

Hearings held in Washington, D.C.: Page

March 12, 1975 1
March 13, 1975 207
March 17, 1975 303
March 19, 1975 319
March 20, 1975 377
March 24, 1975 431
March 25, 1975 563
March 26, 1975 621
April 8, 1975 717
April 9, 1975 759
April 10, 1975 807
April 11, 1975 861

Text of H. R. 3471 2

Statement of—

Bayer, Charles H., executive director, The Chicago Urban Corps, accompanied by Richard A. Ungerer, executive director of the National Center for Public Service Internship Programs 818
Bell, Hon. Terrel H., U.S. Commissioner of Education, Department of Health, Education, and Welfare 724
Blake, Elias, Institute for Services to Education 377
Davis, Walter, director, Department of Education, AFL-CIO, accompanied by John A. Sessions, assistant director of the department 807
Drolet, Harry J., senior vice president, The Connecticut Bank and Trust Co., on behalf of the American Bankers Association, accompanied by P. H. Battershall, vice president, Old Kent Bank and Trust Co., Grand Rapids, Mich.; Alan R. Ettman, director, Installment Lending Division, and Lawrence Banyas, senior economic adviser, A.B.A 622
Elliott, Emerson, Acting Director, National Institute of Education, Department of Health, Education, and Welfare, accompanied by Charles M. Cooke, Jr., Deputy Assistant Secretary for Legislation, Education, DHEW; Gloria Scott, NIE senior associate program head, postsecondary finance and organization program, NIE, DHEW and Virginia Smith, Director, the fund for the improvement of postsecondary education 303
Ellis, Eugene D., Director of the National Coordinating Council for Educational Opportunity 896
Evans, Jay, president, National Council of Higher Education Loan programs, accompanied by William C. Nester, president-elect, and Carol Wennerdahl, director of State-Federal program relations 656
Fisher, Miles Mark, IV, executive secretary, National Association for Equal Opportunity in Higher Education 414
Fowler, William A., executive director of the National Home Study Council, accompanied by Bernard Ehrlich, legal counsel for the National Home Study Council 431
Fulton, Richard A., executive director and general counsel, Association of Independent Colleges and Schools, accompanied by Dana R. Hart, executive secretary, the Accrediting Commission 394
Gordon, Dr. Margaret S., associate director, Carnegie Council on Policy Studies in Higher Education 541
Hamilton, Dr. James B., assistant provost for special programs, Michigan State University 887

Statement of—Continued

Page

Hawk, Richard C., executive director, Minnesota Higher Education Coordinating Commission, accompanied by William R. McConnell, executive secretary, New Mexico Board of Educational Finance, and Mack C. Adams, head, student services division, coordinating board, Texas College and University System, and H. Dale Smith, assistant executive director for student aid, Minnesota Higher Education Coordinating Commission 776

Henderson, Jay F., legislative director, National Student Lobby 171

Huitt, Ralph K., executive director, National Association of State universities and land-grant colleges 207

Iverson, Ronald, president, National Association of State Scholarship programs, accompanied by Joe Boyd, Illinois State Scholarship Commission; Ken Reeher, director, Pennsylvania Higher Education Assistance Agency; and E. Voss, president-elect, NASSP 584

Kane, Joseph, National Catholic Education Association 563

Kelly, Kathy, president, National Student Association, accompanied by Chip Berlet, editor, NSA magazine 118

Kibbee, Robert J., chancellor, the City University of New York, representing the American Association of State colleges and universities, accompanied by John Mallen, director of legislative relations, American Association of State Colleges and Universities; and Lawrence Gold, director of Federal relations, City University of New York 759

Kidd, Charles V., executive secretary, Association of American Universities 256

Lane, Hugh W., research associate, National Congress for Minority Education 337

Lawrence, Ben, director, National Center for Higher Education Management Systems, accompanied by Dr. Wayne Kirschling 353

Meares, Charles W. V., president and chief executive, United Student Aid Funds, Inc., accompanied by Robert C. Sinnaeve, vice president; and Edward A. McCabe, counsel 668

Millard, Richard M., director, Higher Education Services for the Education Commission of the States 369

Moseley, John D., president, Austin College, Sherman, Tex., and chairman of the Association of American Colleges in behalf of the Association of American Colleges and the National Council of Independent Colleges and Universities 273

Pickle, Hon. J. J., a Representative in Congress from the State of Texas 791

Ramsden, Richard J., executive director, Consortium of Financing Higher Education, accompanied by R. Jerrold Gibson, director of fiscal services, Harvard University; William Ihlanfeldt, dean of admission and financial aid, Northwestern University 601

Rose, Leonard G., chairman, National Legislative Council, American Collectors Association, Inc., Minneapolis, Minn 684

Routh, Dorothy K., Leadership Development Program 881

Sample, Edson W., president, National Association of Student Financial Aid Administrators, accompanied by Allen Purdy, University of Missouri; Richard Tombaugh, executive secretary; and Priscilla Light, Randolph-Macon Women's College 134

Saunders, Charles B., Jr., director of governmental relations, American Council on Education, accompanied by Jack Hughes, director of policy analysis service 156

Smith, James V., senior vice president, Security Pacific National Bank of Los Angeles, accompanied by E. S. Amazeen, Jr., vice president, The First National Bank of Boston; and Drew V. Tidwell, legislative representative for the Consumer Banker's Association 835

Thompson, Hon. Frank, Jr., a Representative in Congress from the State of New Jersey 851

Tirrell, John E., vice president for governmental affairs, American Association of Commuuity and Junior Colleges 319

Trotter, Hon. Virginia Y., assistant secretary for education, Department of Health, Education, and Welfare, accompanied by Terrel H. Bell, U.S. Commissioner of Education; and Charles M. Cooke, Jr., deputy assistant secretary for legislation (Education);

Statement of—Continued
- Edward T. York, Jr., deputy commissioner for management, OE; S. W. Herrell, acting deputy commissioner, Bureau of Postsecondary Education, OE; Kenneth A. Kohl, associate commissioner, office of guaranteed loans, OE; John D. Phillips, associate commissioner for student assistance, Bureau of Postsecondary Education, OE; Richard J. Rowe, deputy director, division of student support and special programs; Peter K. U. Voight, director, division of basic and State student grants .... Page 718
- Yost, Henry T., Jr., Amherst College, accompanied by Dr. Alfred Sumberg, American Association of University Professors 799

Prepared statements, letters, supplemental material, etc.:
- American Association of State Colleges and Universities, "Testimony on H.R. 3471," submitted as a supplement 771
- Association of American Colleges:
  - "A National Policy for Private Higher Education," an article entitled 283
  - "1975 AAC Legislative Position Paper," an article entitled 291
  - "1975 NCICU Legislative Guidelines," an article entitled 294
- Bayer, Charles H., executive director, The Chicago Urban Corps:
  - "The Future of the College Work-Study Program and Public and Community Service," an article entitled 827
- Bell, Hon. Terrel H., U.S. Commissioner of Education, Department of Health, Education, and Welfare, prepared statement of 724
- Bell & Howell Schools, prepared statement on H.R. 3471 515
- Chronicle of Higher Education, an article, "If the Money Doesn't Come Through, Oh Boy, I'm Dead," February 3, 1975 197
- "Coalition of Private University Students," prepared statement of 201
- College Press Service, articles:
  - Klotz, Neil, "Portrait of the Defaulter," Jan. 20, 1975 128
  - Kober, John, "Hey Buddy, Can You Spare a Million?"—March 7, 1975 130
  - Koehler, Curt, "Carnegie Council Makes Funding Recommendations," March 21, 1975 131
  - Without byline:
    - "Students Discover Bankruptcy Ploy," February 14, 1975 129
    - "Tuition Prognosis: The Sky's the Limit," March 3, 1975 132
    - "University of Montana Punts Funds," January 13, 1975 133
    - "Columbia Law Students Threaten Tuition Strike," undated 133
- Consortium on Financing Higher Education: "Federal Student Assistance," a synopsis of a report 612
- Davis, Walter, director, Department of Education, AFL-CIO:
  - Effect of H. R. 3471 on resident family with two children (table) 810
  - Statement by the AFL-CIO executive council on higher education 811
- Drolet, Harry J., senior vice president, The Connecticut Bank and Trust Co. for the American Bankers' Association:
  - "Exceptions to Discharge," a document 627
  - "Student Loan Task Force," an article entitled 628
- Evans, Jay, president, National Council of Higher Education Loan Programs, prepared statement of 657
- Fisher, Miles Mark, IV, executive secretary, National Association for Equal Opportunity in Higher Education:
  - Projected impact of H.R. 3471 on historically Black colleges and universities 420
  - Funding levels of campus-based programs at historically Black colleges and universities 420
  - Eligibles based on nonage discrimination, a table 421
  - Distribution of families by income, a table 421
  - ACE/UCLA cooperative institutional research program (a table) 421
  - Full funding requirements of student financial assistance programs at historically Black colleges and universities (a table) 420
  - "Ingredients for an Ideal Student Aid Program," excerpts from 422

Prepared statements—Continued

- Fowler, William A., executive director, National Home Study Council: Page
  - "Business Standards," an article entitled 445
  - "Documents & Instructions of the Accrediting Commission," an article entitled 454
  - "In a Class by Himself," an article entitled 504
  - Letter to Hon. James G. O'Hara, dated April 30, 1975 511
  - "Standards for Correspondence Schools With Students Enrolled Under the Guaranteed Student Loan Program," an article entitled 439
  - Facts about "The National Home Study Council," an article entitled 445
  - "The Postman Is the Proctor," an article entitled 442
  - "Training by Mail," an article entitled 448
- Fulton, Richard A., executive director and general counsel, Association of Independent Colleges and Schools; Dana R. Hart, executive secretary, The Accrediting Commission, prepared statement of 394
- Gibson, R. Jerrold, director of fiscal services, Harvard University, prepared statement of 608
- Gordon, Margaret S., associate director, Carnegie Council on Policy Studies in Higher Education:
  - Prepared statement of 523
  - Appropriations for selected Federal student aid programs, 1974–1980, a table 540
  - Undergraduate student aid programs, 1969–73, a table 540
- Hawk, Richard C., executive director, Minnesota Higher Education Coordinating Commission, "Resolution Urging Amendment of the Bankruptcy Act," a document 790
- Henderson, Jay F., legislative director, National Student Lobby:
  - Prepared statement of 179
  - "Teaching the Skills of Test Taking," an article by William Raspberry 189
  - Appendix A—Student Financial Resources Committee 190
  - Appendix B—The role and participation of students in the financial aid system and partnership 191
  - Appendix C—Student right to hearings on financial aid determination 194
  - Appendix D—Options workbook for decisions after high school 196
- Huitt, Ralph K., executive director, National Association of State Universities and land-grant colleges:
  - Prepared statement of 207
  - Letter to Hon. Edwin D. Eshleman, enclosing information requested, dated May 27, 1975 226
  - Letter to Congressman Quie, dated April 9, 1975 249
- Kane, Joseph, National Catholic Education Association:
  - Prepared statement of 563
  - Response to requests for answers to questions posed during the NCEA testimony—a report 582
- Kidd, Charles V., executive secretary, Association of American Universities, prepared statement of 257
- Lane, Hugh W., research associate, Institute for Services to Education, letter to Hon. James G. O'Hara, dated April 2, 1975 347
- Lawrence, Ben, director, National Center for Higher Education Management Systems, "Comparison of $200 million distribution to States by HEI enrollment and under NCHEMS options 1, 2, and 3" (table) 354
- Meares, Charles W. V., president and chief executive, United Student Aid Funds, Inc., prepared statement of 872
- Mitchem, Arnold L., president, Mid-America Association of Educational Opportunity Program Personnel, Milwaukee, Wis., letter to Hon. James O'Hara, dated April 30, 1975 909
- O'Hara, Hon. James G., a Representative in Congress from the State of Michigan:
  - List of the membership and staff of the Task Force on the Disadvantaged and Postsecondary Education 862
  - "Summary Report, Recommendations for New Delivery Systems," an article entitled 864

Prepared statements—Continued

Page
Ramsden, Richard J., executive director, Consortium of Financing Higher Education, a synopsis of the report 612
Richardson, John Jr., assistant secretary for educational and cultural affairs, letter to Hon. Terrel H. Bell, dated March 20, 1975 742
Rose, Leonard G., chairman, National Legislative Council, American Collectors Association, Inc:
  Prepared statement of 691
  Exhibit A—"Code of Ethics and Operations," an article entitled 696
  Exhibit B—"Rules and Regulations," an article entitled 699
  Exhibit C—Johnson, John W., "How To Choose a Collector?" an article entitled 703
  Exhibit D—"Proposed Legislative Draft" 715
  "Proposal, To Amend the Higher Education Act of 1965," an article entitled 705
Sample, Edson W., president, National Association of Student Financial Aid Administrators, "Regarding the USOE request for authority to carryover BEOG funds from fiscal year 1975 to fiscal year 1976," a prepared statement 155
Saunders, Charles B., Jr., director, American Council on Education, letter to Hon. James G. O'Hara, dated March 18, 1975 169
Smith, James L., senior vice president, Security Pacific National Bank of Los Angeles, "Questionnaire Relative to the Federal Guaranteed or Insured Post Secondary Student Loan Program," an exhibit 842
Steinbach, Sheldon, Counsel, American Council on Education, prepared statement before Senate Committee on the Judiciary 169
Task Force on the Disadvantaged and Postsecondary Education, List of:
  Membership and staff 862
  Summary Report 864
Thompson, Hon. Frank Jr., a Representative in Congress from the State of New Jersey, "Impact of H.R. 3471 Proposals on Students at Rutgers, the State University of New Jersey," an article entitled 851
Tirrell, John E., vice president for governmental affairs, American Association of Community and Junior Colleges:
  Prepared statement of 326
  New York Times, May 28, 1974, "The Student Aid Hoax," an editorial entitled 324
Tombaugh, Richard, University of Missouri, executive secretary, "Clarifying Role and Responsibility in Student Financial Aid," an article entitled 142
United States National Student Association, "Equal Educational Opportunity: Free Public Higher Education", a resolution 127
Wennerdahl, Carol, Illinois Guaranteed Loan Program:
  State and Federal programs: a comparison of default rates (table) 664
  Eligible schools in student loan programs administered by State and private nonprofit guarantee agencies 665
York, Edward T., Jr., deputy commissioner for management, OE, "Differences between State and Federal loan guarantee programs" (table) 755
Yost, Henry T., Jr., professor of biology, Amherst College, prepared statement of 793

APPENDIX

A. General Comments

Alexander, Mike, dean of student affairs, Chaffey Community College District, Alta Loma, Calif., letter to Dr. John D. Phillips, dated March 19, 1975 929
Bass, Eddie J., assistant vice president and chief student affairs officer, The Florida State University, Tallahassee, Fla., letter to Hon. James G. O'Hara, dated March 28, 1975 933
Bell, Hon. Alphonzo, a Representative in Congress from the State of California, letter to Hon. James G. O'Hara, dated April 8, 1975 959

Page
Blackman, Vernon H., president, Systems, Science and Software, La Jolla, Calif., letter to Hon. James G. O'Hara, dated March 25, 1975 932
Blankstein, Edward, director of student financial aid, Edward Blankstein, Inc., Princeton, N.J., letter to Hon. James G. O'Hara, dated March 24, 1975 930
Brumleve, Sister Barbara, president, Notre Dame College, St. Louis, Mo., letter to Hon. Leonor K. Sullivan, dated April 30, 1975 976
Carter, James C., S. J., president, Loyola University, New Orleans, La., letter to Hon. Lindy Boggs, dated April 17, 1975 969
Chambers, Frank M., president, Middlesex County College, Edison, N.J., letter to Hon. James O'Hara, dated February 27, 1975 915
Chosky, Philip, chairman, Government Affairs Committee, Pennsylvania Association of Private School Administrators, Inc., letter to Hon. James G. O'Hara, dated April 8, 1975 960
Cummings, Jack B., vice president, university relations, University of Redlands, Redlands, Calif., letter to Hon. James G. O'Hara, dated March 21, 1975 930
Curry, Milton K., Jr., president, Christopher F. Edley, executive director, United Negro College Fund, Inc., New York, N.Y., letter to Hon. James G. O'Hara, dated May 1, 1975 1066
Davis, Clare, director of financial aid, Kean College of New Jersey, Union, N.J., letter to Hon. James G. O'Hara, dated April 1, 1975 940
Davis, Herm, "Selected Maryland Community Colleges Testimony" 970
Echols, Evelyn, president, International Travel Training Courses, Inc., Chicago, Ill., letter to the Subcommittee on Postsecondary Education 968
Fordham statement on H.R. 3471—the O'Hara proposals 926
France, Robert R., vice president for planning and director of budgets, The University of Rochester, Rochester, N.Y., letter to Hon. James G. O'Hara, dated April 8, 1975 964
Garcia, Michael L. Management Marketing Consultants, letter to Hon. Lindy Boggs, dated Feb. 1, 1975 1096
Gilbert, Carl J., president, Association of Independent Colleges and Universities in Massachusetts, Boston, Mass., letter to Hon. James G. O'Hara, dated April 9, 1975 967
Griffin, Arthur M., president, Graham Junior College, Boston, Mass., letter to Hon. James G. O'Hara, dated March 24, 1975 931
Kennedy, E. J., vice president for development and community relations, Le Moyne College, Syracuse, N.Y., letter to Hon. William F. Walsh, dated April 8, 1975 960
Letter to Hon. James G. O'Hara, dated April 3, 1975 941
Locklin, Wilbert E., president, Springfield College, Springfield, Mass., letter to Hon. James G. O'Hara, dated March 21, 1975 930
Lynott, Jean M., director of financial aid, Marywood College, Scranton, Penn., letter to Hon. James G. O'Hara, dated March 19, 1975 928
Mayer, Dennis M., chairman, California Higher Education Council of Student Services Association, Mt. San Antonio College, Walnut, Calif., letter to Chairman Perkins, dated March 5, 1975 915
McCarty, John T., executive director, American Association of Presidents of Independent Colleges & Universities, letter to Hon. James G. O'Hara, dated March 12, 1975 917
Miller, Harry K., Jr., chairman, Northeastern Pennsylvania Independent Colleges, letter to Hon. James G. O'Hara, dated March 25, 1975 932
Nyquist, Ewald B., president, The University of the State of New York, Albany, N.Y.:
    Letter to Hon. James G. O'Hara, dated April 30, 1975 978
    "Education Trends in New York State," an article entitled 1019
    "Federal Legislation and Education in New York State," an article entitled 985
    "New York State Education Department Comments on the Federal Student Financial Aid Bill," an article entitled 979
Peterson, K. James, dean of student services, Bay de Noc Community College, Escanaba, Mich., letter to Hon. James G. O'Hara, dated March 25, 1975 931
Pinnock, Theo. James, director, Tuskegee Institute, Tuskegee Institute, Ala., letter to Hon. James G. O'Hara, dated March 4, 1975 914
Pitchell, Robert J., executive director, National University Extension Association, prepared statement of 978

Page

Porter, John W., superintendent of public instruction, Department of Education, Lansing, Mich., letter to Hon. James G. O'Hara, dated March 31, 1975 934

Reynolds, James M., letter to Hon. James G. O'Hara, dated April 1, 1975 .. 936

Robbins, Rev. Charles J., director of student financial aid, Saint Joseph's College, Rensselaer, Ind., letter to Hon. James G. O'Hara, dated March 6, 1975 916

Schnitker, Thomas J., director of financial aid, Creighton University, Omaha, Nebr., letter to Hon. James G. O'Hara, dated March 12, 1975 .. 924

Seward, Charles W. III, director, Student Assistance Office, Ohio Board of Regents, Columbus, Ohio, letter with enclosures to Chairman O'Hara, dated April 8, 1975 942

Shannon, J. P., assistant director, East Tennessee State University, Johnson City, Tenn., letter to Richard L. Tombaugh, dated March 13, 1975 925

Sheffer, Harold V., president, Jackson Community College, Jackson, Mich., letter to Hon. James G. O'Hara, dated March 7, 1975 916

B. Comments on the Grant Programs

Carrión, Arturo Morales, president, University of Puerto Rico, Rio Piedras, Puerto Rico:

Letter to Hon. James G. O'Hara, dated May 1, 1975 1076

Memorandum on Student Aid at the University of Puerto Rico 1077

Flood, Sister M. Trinita, O.P., president, Barry College, Miami Shores, Fla., letter to Hon. Claude Pepper, dated April 14, 1975 1075

Light, Priscilla M., president, Southern Association of Student Financial Aid Administrators, letter to Hon. James G. O'Hara, dated February 26, 1975 1074

Reis, Lincoln, the university professor, Long Island University, The Brooklyn Center, Brooklyn, N.Y., letter to Hon. James G. O'Hara, dated April 7, 1975 1074

Robinson, James L., director, Office of Government Liaison, Washington, D.C., letter to Hon. James G. O'Hara, dated October 24, 1974 1073

Wells, Phyllis, director of guidance, Marietta High School, Marietta, Ohio, letter to Hon. Clarence E. Miller, dated April 17, 1975 1076

C. Comments on Work Programs

Braxton, Wendell F., assistant director, city of Hampton, Hampton, Va., letter to Hon. James G. O'Hara, dated March 27, 1975 1083

Burson, Ruth F., student employment, Eastern Michigan University, Ypsilanti, Mich., letter to Hon. James G. O'Hara, dated March 20, 1975 .. 1082

Campbell, William B., Austin, Tex., letter to Hon. J. J. Pickle, dated February 26, 1975 1081

Chase, John A., assistant dean, Georgetown University, Washington, D.C., letter to Hon. James G. O'Hara, dated February 26, 1975 1080

Dawson, J. Dudley, consultant on cooperative education, letter to Hon. James G. O'Hara, dated April 1, 1975 1083

Diez, Neil, financial aid officer, Coker College, Hartsville, S.C., letter to Hon. James G. O'Hara, dated March 4, 1975 1081

Francis, H. Thomas, assistant director, Kalamazoo College, Kalamazoo, Mich., letter to Hon. James G. O'Hara, dated March 20, 1975 1081

Parks, Paul, secretary of education, The Commonwealth of Massachusetts, Boston, Mass., letter to Hon. James G. O'Hara, dated March 20, 1975 ... 1082

Pomerantz, Bernard S., executive director, Drexel Home, Inc., Chicago, Ill., letter to Hon. James G. O'Hara, dated April 25, 1975 1087

Shapiro, Jess, assistant director, Office of the Mayor, New York, N.Y., letter to Hon. James G. O'Hara, dated April 22, 1975 1085

Slessarev, Helga, head, University of Cincinnati, Cincinnati, Ohio, letter to Hon. James G. O'Hara, dated April 9, 1975 1085

Wooldridge, Roy L., executive director, National Commission for Cooperative Education, Boston, Mass., letter to Chairman O'Hara enclosing a statement, dated May 9, 1975 1088

D. Comments on Loan Programs

Page

Agostino, George, General Collection Service, Port Huron, **Mich.**, **letter** to Hon. James G. O'Hara, dated March 24, 1975 1100

Andrews, Hon. Ike, a Representative in Congress from the **State of North** Carolina, letter to M. F. Browne, dated May 6, 1975 1107

Boggs, Hon. Lindy, a Representative in Congress from the State of Louisiana, letter to Hon. James G. O'Hara, dated March 17, 1975 1095

Browne, M. F., executive vice president, Durham Life Insurance Co., letter to Hon. Ike Andrews, dated April 8, 1975 1107

Edgeworth, Arthur B., staff vice president and Washington counsel, U.S. League of Savings Associations, Washington, D.C., letter to Hon. James G. O'Hara, dated April 18, 1975 1103

Elkins, B. B., president, Elkins Institute, Dallas, Tex., letter to Hon. Dale Milford, dated February 7, 1975 1092

Elwood, Warren and family, Harlowton, Mont., letter to Hon. John Melcher, dated February 10, 1975 1095

[illegible]ealy, Timothy, assistant treasurer, The Merrill Trust Co., **Bangor, Me.**, letter to Hon. James G. O'Hara, dated April 17, 1975 1102

Mirandon, J. Wilmer, president, New York Higher Education Assistance Corp., Albany, N.Y., letter to Hon. James G. O'Hara, dated May 1, 1975. 1104

Murray, Donald S., assistant to the president for Federal relations, University of Pennsylvania, Philadelphia, Pa., letter to Hon. James G. O'Hara, dated March 13, 1975 1095

Paul, Duffy L., executive director, College Foundation, Inc., **Raleigh, N.C.** letter to Hon. Jesse Helms, dated April 11, 1975 1102

Recher, Kenneth R., executive director, Commonwealth of Pennsylvania, Higher Education Assistance Agency, Harrisburg, Pa., letter to Hon. James G. O'Hara, dated May 2, 1975 1106

Turlington, Ralph D., commissioner, State of Florida, Department of Education, Tallahassee, Fla., letter to Hon. Paul Rogers, dated March 31, 1975 1100

Vevier, Charles, executive vice president, College of Medicine and Dentistry of New Jersey, Newark, N.J., letter to Hon. James G. O'Hara, dated March 18, 1975 1099

THE STUDENT FINANCIAL AID ACT OF 1975

WEDNESDAY, MARCH 12, 1975

House of Representatives,
Subcommittee on Postsecondary Education,
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 2 p.m., pursuant to recess, in Room 2257, Rayburn House Office Building, Hon. James G. O'Hara [chairman of the subcommittee] presiding.

Present: Representatives O'Hara, Brademas, Chisholm, Biaggi, Andrews, Blouin, Mottl, Quie, and Eshleman.

Staff present: Jim Harrison, staff director; Webster Buell, counsel; Elnora Teets, clerk; and Robert Andringa, minority staff director.

Mr. O'Hara. The Subcommittee on Postsecondary Education will come to order.

This afternoon, the subcommittee is beginning the final series of public hearings on what I hope will become the Student Financial Aid Amendments of 1975.

Although this is a new Congress and the membership of the subcommittee is not entirely the same as last year, I think we can look upon these hearings as a continuation of the extensive hearings and discussions we held during the 93d Congress in an effort to discuss the problems confronting students and their families, in the continuing effort to meet the rising costs of postsecondary education.

The subcommittee has before it H.R. 3471, my own bill, which seeks to rewrite title IV of the Higher Education Act in its entirety; H.R. 4376, introduced by my colleague, Mr. Eshleman, the ranking minority member of the subcommittee, which seeks to make some changes in the guaranteed student loan program; and other bills making other proposals.

[Text of H.R. 3471 follows:]

94TH CONGRESS
1ST SESSION

H. R. 3471

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 20, 1975

Mr. O'HARA introduced the following bill; which was referred to the Committee on Education and Labor

---

A BILL

To amend title IV of the Higher Education Act of 1965, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Student Financial Aid Act of 1975".

AMENDMENT TO TITLE IV OF THE HIGHER EDUCATION ACT OF 1965

SEC. 2. Title IV of the Higher Education Act of 1965 is amended to read as follows:

VI—O

"TITLE IV—STUDENT ASSISTANCE

"PART A—GRANTS TO STUDENTS IN ATTENDANCE AT INSTITUTIONS OF HIGHER EDUCATION

"STATEMENT OF PURPOSE; PROGRAM AUTHORIZATION

"SEC. 401. It is the purpose of this part to assist in making available the benefits of postsecondary education to qualified students in institutions of higher education by—

"(1) providing basic educational opportunity grants (hereinafter referred to as 'basic grants') to all eligible students;

"(2) providing supplemental educational opportunity grants (hereinafter referred to as 'supplemental grants') to students of demonstrated financial need and academic promise;

"(3) providing for payments to the States to assist them in making financial aid available to such students; and

"(4) providing for special programs and projects designed (A) to identify and encourage qualified youths with financial or cultural need, and veterans, who have a potential for postsecondary education, (B) to prepare students from low-income families for postsecondary education, and (C) to provide remedial (including remedial language study) and other services to students.

"Subpart 1—Basic Educational Opportunity Grants

"BASIC EDUCATIONAL OPPORTUNITY GRANTS: AMOUNT AND DETERMINATIONS; APPLICATIONS

"SEC. 411. (a) (1) The Commissioner shall, during the period beginning July 1, 1972, and ending September 30, 1980, pay to each student who has been accepted for enrollment in, or is in good standing at, an institution of higher education (according to the prescribed standards, regulations, and practices of that institution) for each academic year during which that student is in attendance at that institution, as an undergraduate, a basic grant in the amount for which that student is eligible, as determined pursuant to paragraph (2).

"(2) (A) (i) The amount of the basic grant for a student eligible under this subpart for any academic year shall be that portion of the amount, determined by subtracting from $1,400 an amount equal to the amount determined under paragraph (3) to be the expected family contribution with respect to that student for that year, which does not exceed $600, or the maximum grant paid under this program during the academic year beginning in 1975, whichever is higher.

"(ii) In any case where a student attends an institution of higher education on less than a full-time basis during any academic year, the amount of the basic grant to which that student is entitled shall be reduced in proportion to the degree to which that student is not so attending on a full-time basis, in accordance with a schedule of reductions established by the Commissioner for the purposes of this division. Such schedule of reductions shall be established by regulation and published in the Federal Register not later than February 1 of each year.

"(B) No basic grant shall be awarded to a student under this subpart if the amount of that grant for that student as determined under this paragraph for any academic year is less than $100.

"(3) (A) (i) Not later than July 1 of each calendar year, the Commissioner shall publish in the Federal Register a schedule of expected family contributions for the academic year which begins after July 1 of the calendar year which succeeds such calendar year for various levels of family income which, except as is otherwise provided in division (ii), together with any amendments thereto, shall become effective July 1 of the calendar year which succeeds such calendar year. During the thirty-day period following such publication the Commissioner shall provide interested parties with an opportunity to present their views and make recommendations with respect to such schedule.

"(ii) After considering the views and recommendations of interested parties under division (i), the Commissioner shall submit a proposed family contribution schedule to the President of the Senate and the Speaker of the House of Representatives. If either the Senate or the House of Representatives adopts, within ninety days of such submission, a resolution of disapproval of such schedule, the Commissioner shall publish a new schedule of expected family contributions in the Federal Register not later than fifteen days after the adoption of such resolution of disapproval. Such new schedule shall take into consideration such recommendations as may be made in connection with such resolution and shall become effective, together with any amendments thereto, on July 1 of the succeeding year.

"(B) (i) For the purposes of this paragraph and subsection (b), the term 'family contribution' with respect to any student means the amount which the family of that student may be reasonably expected to contribute toward his postsecondary education for the academic year for which the determination under subparagraph (A) of paragraph (2) is made, as determined in accordance with regulations. In promulgating such regulations, the Commissioner shall follow the basic criteria set forth in division (ii) of this subparagraph.

"(ii) The basic criteria to be followed in promulgating regulations with respect to expected family contributions are as follows:

"(I) The amount of the effective income of the student or the effective family income of the student's family.

"(II) The number of dependents of the family of the student.

"(III) The number of dependents of the student's family who are in attendance in a program of postsecondary education and for whom the family may be reasonably expected to contribute for their postsecondary education.

"(IV) Any unusual expenses of the student or his family such as unusual medical expenses, and those which may arise from a catastrophe.

"(iii) For the purposes of clause (I) of division (ii), the term 'effective family income' with respect to a student means the annual adjusted family income, as determined in accordance with regulations prescribed by the Commissioner, received by the parents or guardian of that student (or the person or persons having an equivalent relationship to such student) minus Federal income tax paid or payable with respect to such income and including any amount paid under the Social Security Act to, or on account of, the student which would not be paid if he were not a student and one-half any amount paid the student under chapters 34 and 35 of title 38, United States Code.

"(C) The Commissioner shall promulgate special regulations for determining the expected family contribution and effective family income of a student who is determined (pursuant to regulations of the Commissioner) to be independent of his parents or guardians (or the person or persons having an equivalent relationship to such student). Such special regulations shall be consistent with the basic criteria set forth in division (ii) of subparagraph (B).

"(4) (A) The period during which a student may receive basic grants shall be the period required for the completion of the undergraduate course of study being pursued by that student at the institution at which the student is in attendance, except that such period may not exceed four academic years unless—

"(i) the student is pursuing a course of study leading to a first degree in a program of study which is designed by the institution offering it to extend over five academic years; or

"(ii) the student is, or will be, unable to complete a course of study within four academic years because of a requirement of the institution of such course of study that the student enroll in a noncredit remedial course of study;

in either which case such period may be extended for not more than one additional academic year, or unless the student is attending an institution of higher education on less than a full-time basis during any academic year.

"(B) For the purposes of clause (ii) of subparagraph (A), a 'noncredit remedial course of study' is a course of study for which no credit is given toward an academic degree, and which is designed to increase the ability of the student to engage in an undergraduate course of study leading to such a degree.

"(b) (1) The Commissioner shall from time to time set dates by which students must file applications for basic grants under this subpart.

"(2) Each student desiring a basic grant for any year must file an application therefor containing such information and assurances as the Commissioner may deem necessary to enable him to carry out his functions and responsibilities under this subpart.

"(3) (A) Payment under this section shall be made in accordance with regulations promulgated by the Commissioner for such purpose, in such manner as will best accomplish the purposes of this section.

"(B) (i) If, during any period of any fiscal year, the funds available for payments under this subpart are insufficient to satisfy fully all entitlements under this subpart the amount paid with respect to each such entitlement shall be ratably reduced, and the Commissioner shall report to the Congress that such insufficiency exists, together with the total amount of the sums which would, if appropriated, enable him to satisfy fully all such entitlements.

"(ii) If, during any period of any fiscal year, funds available for making payments under this subpart exceed the amount necessary to make the payments prescribed in division (i), such excess shall be used to provide payments under part C for that fiscal year or the following fiscal year.

"(4) No payments may be made on the basis of entitlements established under this subpart during any fiscal year ending prior to September 30, 1980, in which—

"(A) the appropriation for making grants under subpart 2 of this part does not at least equal $200,000,000; and

"(B) the appropriation for work-study payments under section 441 of this title does not equal the amount authorized to be appropriated under such section.

"Subpart 2—Supplemental Educational Opportunity Grants

"PROGRAMS OF SUPPLEMENTAL GRANTS; APPROPRIATIONS AUTHORIZED

"SEC. 413A. (a) The Commissioner shall carry out a program of supplemental grants to assist in making available the benefits of postsecondary education to undergraduate students whose financial need, based upon the difference between expected family contribution for such a student and

$1,400, qualifies such students for the payment of a basic grant under section 411, and who demonstrate, prior to the award of a supplemental grant under this subpart, outstanding academic performance in secondary or postsecondary school or clear promise of such performance in the year for which such supplemental grant is to be made. The Commissioner may determine outstanding academic performance of students or clear promise of such performance for purposes of this subpart on the basis of the recommendation with respect to academic performance of students by a private nonprofit organization which maintains a current listing of students throughout the Nation who demonstrate clear promise of outstanding academic performance.

"(b) For the purpose of enabling the Commissioner to make supplemental grants to students under this subpart, there are authorized to be appropriated $200,000,000 for the fiscal year ending June 30, 1976, and for each of the succeeding fiscal years ending prior to September 30, 1980. Sums appropriated pursuant to this subsection for any fiscal year shall be available for payments to students until the end of the fiscal year succeeding the fiscal year for which they were appropriated.

"AMOUNT AND DURATION OF GRANTS; DETERMINATION OF ELIGIBILITY

"SEC. 413B. (a) A supplemental grant awarded to a student for an academic year shall be equal, as determined by the Commissioner, to the full cost of tuition, fees, books, and other direct instructional costs for such student at the institution which that student attends, together with an allowance for the average cost of living at such institution or for reasonable expenses for commuting whichever is appropriate, less the sum of the expected family contribution for such student (determined under section 411(a)(3)(B)) and the amount of any basic grant to such student under section 411.

"(b)(1)(A) A student eligible for a supplemental grant may be awarded such a grant under this subpart for each academic year of the period required for completion by the recipient of his undergraduate course of study.

"(B) A student may not receive supplemental grants under this subpart for a period of more than four academic years, except that in the case of a student—

"(i) who is pursuing a course of study leading to a first degree in a program of study which is designed by the institution offering it to extend over five academic years, or

"(ii) who is because of his particular circumstances determined by the institution to need an additional year to complete a course of study normally requiring four academic years,

such period may be extended for not more than one additional academic year.

"(2) A supplemental grant awarded under this subpart shall entitle the student to whom it is awarded to payments pursuant to such grant only if—

"(A) that student is maintaining satisfactory progress in the course of study he is pursuing, according to the standards and practices of the institution at which he is enrolled, and the grant, and

"(B) that student is devoting at least half-time to that course of study, during the academic year, to attendance at that institution.

Failure to be in attendance at the institution during vacation periods or periods of military service, or during other periods during which the Commissioner determines, in accordance with regulations, that there is good cause for his nonattendance, shall not render a student ineligible for a supplemental grant; but no payments may be made to a student during any such period of failure to be in attendance or period of nonattendance.

"Subpart 3—Grants to States for State Student Incentives

"PURPOSE; APPROPRIATIONS AUTHORIZED

"SEC. 415A. (a) It is the purpose of this subpart to make incentive grants available to the States to assist them in providing grants to eligible students in attendance at institutions of higher education, or in providing work-study programs for such students, or in providing additional capacity for enrollment of students at public institutions of higher education which do not charge tuition or fees, as the State receiving such incentive grant shall determine. In carrying out his duties under this subpart, the Commissioner shall not, by regulation or by any other means, restrict or influence any State in its choice among the several uses for incentive grants received by such State under this subpart which are described in the preceding sentence.

"(b) (1) There are hereby authorized to be appropriated $200,000,000 for the fiscal year ending June 30, 1976, and for each of the succeeding fiscal years ending prior to September 30, 1980, for payments to the States for grants to students under this subpart.

"(2) Sums appropriated under this subpart for any fiscal year shall remain available for payments to States for the award of student grants under this subpart until the end of the fiscal year succeeding the fiscal year for which such sums were appropriated.

"ALLOTMENT AMONG STATES

"SEC. 415B. (a) (1) (A) From the sums appropriated pursuant to section 415A (b) (1) for any fiscal year, the Commissioner shall allot to each State the amount determined under the next sentence. The amount of a State's allotment under this sentence shall be the amount obtained by multiplying (i) the quotient obtained by dividing the State's effort index by the highest State effort index for all the States and (ii) the product obtained by multiplying the maximum per student grant by the total student population of the State. For purposes of the preceding sentence—

"(i) the State's effort index is the product obtained by multiplying (I) the quotient obtained by dividing the sum of the State's direct expenditures for institutions of higher education and the State's expenditures for student assistance less the State's tuition revenues by the State's total personal income and (II) the quotient obtained by dividing the State's total student population by the State's total population, and

"(ii) the maximum per student grant shall be determined by the Commissioner on the basis of the amount appropriated pursuant to section 415A (b) (1) for the fiscal year for which he makes such determination, so that the total of the allotments under the preceding sentence does not exceed such appropriated amount.

"(B) For the purposes of this paragraph—

"(i) the term 'direct expenditures for institutions of higher education' means, with respect to any State, the aggregate amount of funds, as determined by the Commissioner, spent by the State and all of its political subdivisions to operate and maintain institutions of higher education in that State in the most recent year for which data are available;

"(ii) the term 'expenditures for student assistance' means, with respect to any State, the aggregate amount of funds, as determined by the Commissioner, spent by the State and all of its political subdivisions for programs of grants, loans, and other assistance provided for students enrolled in institutions of higher education within that State;

"(iii) The term 'tuition revenues' means, with respect to any State, the aggregate amount of funds, as determined by the Commissioner, charged to students for tuition and required fees at public institutions of higher education in that State;

"(iv) the term 'total population' means, with respect to any State, the total number of persons in that State as determined by the most recent data of the Bureau of the Census;

"(v) the term 'total student population' means, with respect to any State, the aggregate number of students, as determined by the Commissioner, enrolled in institutions of higher education within that State. Such total shall be determined by adding the number of full-time students to the full-time equivalent of part-time students enrolled and attending institutions of higher education within that State; and

"(vi) the term 'total personal income' means, with respect to any State, the aggregate of individual incomes as determined by the United States Department of Commerce for national income accounts purposes in the most recent year for which data are available.

"(2) The amount of any State's allotment under paragraph (1) for any fiscal year which the Commissioner determines will not be required for such fiscal year for the State student grant incentive program of that State shall be available for reallotment from time to time, on such dates during such year as the Commissioner may fix, to other States in proportion to the original allotments to such States under such part for such year, but with such proportionate amount for any of such States being reduced to the extent it exceeds the sum the Commissioner estimates such State needs and will be able to use for such year for carrying out the State plan; and the total of such reductions shall be similarly reallotted among the States whose proportionate amounts were not so reduced. Any amount reallotted to a State under this part during a year from funds appropriated pursuant to section 415A(b)(1) shall be deemed part of its allotment under paragraph (1) for such year.

“APPLICATIONS FOR STATE STUDENT INCENTIVE GRANT PROGRAMS

“SEC. 415C. (a) A State which desires to obtain a payment under this subpart for any fiscal year shall submit an application therefor through the State agency administering its program of student assistance, at such time or times, and containing such information as may be required by, or pursuant to, regulation for the purpose of enabling the Commissioner to make the determinations required under this subpart.

“(b) From a State’s allotment under this subpart for any fiscal year the Commissioner is authorized to make payments to such State for paying 50 per centum of the amount of the expenditures of such State for uses described in the first sentence of section 415A (a) pursuant to a State program which—

“(1) authorizes expenditures under such program for any of the uses described in the first sentence of section 415(A) (a);

“(2) provides for the payment of the non-Federal portion of such assistance from funds supplied by such State which represent an additional expenditure for such year by such State for eligible programs over the amount expended by such State for such programs, if any, during the second fiscal year preceding the fiscal year in which such State initially received funds under this subpart; and

"(3) provides (A) for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the State agency under this subpart, and (B) for the making of such reports, in such form and containing such information, as may be reasonably necessary to enable the Commissioner to perform his functions under this subpart.

"(c) Upon his approval of any application for a payment under this subpart, the Commissioner shall reserve from the applicable allotment (including any applicable reallotment) available therefor, the amount of such payment, which (subject to the limits of such allotment or reallotment) shall be equal to the Federal share of the cost of the expenditures covered by such application. The Commissioner shall pay such reserved amount, in advance or by way of reimbursement, and in such installments as he may determine. The Commissioner's reservation of any amount under this section may be amended by him, either upon approval of an amendment of the application or upon revision of the estimated cost of the expenditures with respect to which such reservation was made, and in the event of an upward revision of such estimated cost approved by him he may reserve the Federal share of the added cost only from the applicable allotment (or reallotment) available at the time of such approval.

"ADMINISTRATION OF STATE PROGRAMS; JUDICIAL REVIEW

"SEC. 415D. (a) (1) The Commissioner shall not finally disapprove any application for a State program submitted under section 415C, or any modification thereof, without first affording the State agency submitting the program reasonable notice and opportunity for a hearing.

"(2) Whenever the Commissioner, after reasonable notice and opportunity for hearing to the State agency administering a State program approved under this subpart, finds—

"(A) that the State program has been so changed that it no longer complies with the provisions of this subpart, or

"(B) that in the administration of the program there is a failure to comply substantially with any such provisions,

the Commissioner shall notify such State agency that the State will not be regarded as eligible to participate in the program under this subpart until he is satisfied that there is no longer any such failure to comply.

"(b) (1) If any State is dissatisfied with the Commissioner's final action with respect to the approval of its State program submitted under this subpart or with his final action under subsection (a), such State may appeal to the United States court of appeals for the circuit in which such State is located. The summons and notice of appeal may be served at any place in the United States. The Commissioner shall forthwith certify and file in the court the transcript of the proceedings and the record on which he based his action.

"(2) The findings of fact by the Commissioner, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Commissioner to take further evidence, and the Commissioner may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the transcript and record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(3) The court shall have jurisdiction to affirm the action of the Commissioner or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in title 28, United States Code, section 1254.

"Subpart 4—Special Programs for Veterans and for Students From Disadvantaged Backgrounds

"PROGRAM AUTHORIZATION

"SEC. 417A. (a) The Commissioner shall, in accordance with the provisions of this subpart, carry out a program designed to identify qualified students from low-income families, and individuals who are veterans receiving or eligible to receive vocational rehabilitation under chapter 31 of title 38, United States Code, or are veterans receiving or eligible to receive educational assistance under chapter 34 of such title, to prepare them for a program of postsecondary education, and to provide special services for such students and veterans who are pursuing programs of postsecondary education.

"(b) For the purpose of enabling the Commissioner to carry out this subpart, there are authorized to be appropriated $125,000,000 for the fiscal year ending June 30, 1976, and for each of the succeeding fiscal years ending prior to September 30, 1980.

"AUTHORIZED ACTIVITIES

"SEC. 417B. (a) The Commissioner is authorized (without regard to section 3709 of the Revised Statutes (41 U.S.C. 5)) to make grants to, and contracts with, institutions of higher education, including institutions with vocational and career education programs, combinations of such institutions, public and private agencies and organizations (including professional and scholarly associations), and, in exceptional cases, secondary schools and secondary vocational schools, for planning, developing, or carrying out within the States one or more of the services described in section 417(a).

"(b) Services provided through grants and contracts under this subpart shall be specifically designed to assist in enabling youths from low-income families who have academic potential, but who may lack adequate secondary school preparation or who may be physically handicapped, and individuals who are veterans receiving or eligible to receive vocational rehabilitation under chapter 31 of title 38, United States Code, or are veterans receiving or eligible to receive educational assistance under chapter 34 of such title, to enter, continue, or resume a program of postsecondary education, including—

"(1) programs, to be known as 'Talent Search' designed to—

"(A) identify such veterans or qualified youths of financial or cultural need with an exceptional potential for postsecondary educational training and encourage them to complete secondary school and undertake postsecondary educational training,

"(B) publicize existing forms of student financial aid, including aid furnished under this title, and

"(C) encourage secondary-school or college dropouts of demonstrated aptitude to reenter educational programs, including postsecondary-school programs;

"(2) programs, to be known as 'Upward Bound', (A) which are designed to generate skills and motivation necessary for success in education beyond high school and (B) in which veterans and enrollees from low-income backgrounds and with inadequate secondary-school preparation participate on a substantially full-time basis during all or part of the program;

"(3) programs, to be known as 'Special Services for Disadvantaged Students', of remedial and other special services for students with academic potential (A) who are enrolled or accepted for enrollment at the institution which is the beneficiary of the grant or contract, and (B) who (i), by reason of deprived educational, cultural, or economic background, or physical handicap, or by reason of interruption or postponement of education due to service in the Armed Forces of the United States, are in need of such services to assist them to initiate, continue, or resume their postsecondary education, or (ii) by reason of limited English-speaking ability, are in need of bilingual educational teaching guidance, and counseling in order to enable them to pursue a postsecondary education; and

"(4) a program of paying up to 75 per centum of the cost of establishing and operating Educational Opportunity Centers which—

"(A) serve areas with major concentrations of low-income populations or individuals who are veterans receiving or eligible to receive vocational rehabilitation under chapter 31 of title 38, United States Code, or are veterans receiving or eligible to receive educational assistance under chapter 34 of such title, by providing, in coordination with other applicable programs and services—

"(i) information with respect to financial and academic assistance available for persons in such areas desiring to pursue a program of postsecondary education;

"(ii) assistance to such persons in applying for admission to institutions, at which a program of postsecondary education is offered, including preparing necessary applications for use by admission and financial aid officers; and

"(iii) counseling services and tutorial and other necessary assistance to such persons while attending such institutions; and

"(B) serve as recruiting and counseling pools to coordinate resources and staff efforts of institutions of higher education and of other institutions offering programs of postsecondary education, in admitting educationally disadvantaged persons.

The portion of the cost of any project assisted under clause (4) in the preceding sentence which is borne by the applicant shall represent an increase in expenditure by such applicant for the purposes of such project.

"(c) Enrollees who are participating on an essentially full-time basis in one or more services being provided under this section may be paid stipends, but not in excess of $30 per month except in exceptional cases as determined by the Commissioner.

"(d) Recipients of grants or contracts for the purposes of clause (3) (ii) of subsection (b) of this section shall include in their curriculum a program of English language instruction for students of limited English-speaking ability.

“Part B—Federal, State, and Private Programs of Low-Interest Insured Loans to Students in Institutions of Higher Education

“STATEMENT OF PURPOSE AND APPROPRIATIONS AUTHORIZED

“Sec. 421. (a) The purpose of this part is to enable the Commissioner to encourage States and nonprofit private institutions and organizations to establish adequate loan insurance programs for students in eligible institutions (as defined in section 491), to pay a portion of the interest on loans to qualified students which are insured under this part or under a program of a State or of a nonprofit private institution or organization which meets the requirements of section 428A (a) (1) (C), and to guarantee a portion of each loan insured under a program of a State or of a nonprofit private institution or organization which meets the requirements of section 428A (a) (1) (C).

“(b) For the purpose of carrying out this part, there are authorized to be appropriated—

“(1) such sums as are necessary for the adequacy of the student loan insurance fund established under section 431, and

“(2) such sums as may be necessary for payments under section 428A with respect to interest on student loans and to special allowances to holders of loans and for payments under section 436.

Sums appropriated under this subsection shall remain available until expended.

"EFFECTS OF ADEQUATE NON-FEDERAL PROGRAMS

"SEC. 422. (a) Except as provided in subsection (b), the Commissioner shall not issue certificates of insurance under section 429 to lenders in a State if he determines that every eligible institution has reasonable access in that State to a State or private nonprofit student loan insurance program which is covered by an agreement under section 428 (a).

"(b) The Commissioner may issue certificates of insurance under section 429 to a lender in a State—

"(1) for insurance of a loan made to a student borrower who does not, by reason of his residence, have access to loan insurance under the loan insurance program of such State (or under any private nonprofit loan insurance program), or

"(2) for insurance of all of the loans made to student borrowers by a lender who satisfies the Commissioner that, by reason of the residence of such borrowers, he will not have access to any single State or nonprofit private loan insurance program which will insure substantially all of the loans he intends to make to such student borrowers.

"TERMINATION OF PROGRAM

"SEC. 423. (a) (1) Except as provided in paragraph (2), the Commissioner shall not issue certificates of insurance under section 429 to lenders in a State after one hundred and eighty days after the adjournment of such State's second regular legislative session which adjourns after the date of enactment of the Student Financial Aid Act of 1975.

"(2) The Commissioner may issue certificates of insurance under section 429 to a lender in a State after the date established in paragraph (1) only for insurance of a loan made to a student borrower who has obtained, prior to such date, a loan for which a certificate of insurance was issued under section 429 and who needs such insurance in order to continue or complete his educational program because of lack of access to loan insurance under a student loan insurance program covered by an agreement under section 428 (a) of the State in which he resides.

"(b) The Commissioner shall not reimburse a State or nonprofit private institution or organization under a guaranty agreement under section 428 (b) for losses on loans insured by such State, institution, or organization after the date established under subsection (a) (1) unless—

"(1) in the case of a State, such State conducts a student loan insurance program, and

"(2) in the case of an institution or organization, such institution or organization has been authorized by a State to conduct a student loan insurance program for such State.

"SCOPE AND DURATION OF FEDERAL LOAN INSURANCE PROGRAM

"SEC. 424. (a) The total principal amount of new loans made and installments paid pursuant to lines of credit to students covered by Federal loan insurance under this part shall not exceed $1,400,000,000 for the fiscal year ending June 30, 1972, $1,600,000,000 for the fiscal year ending June 30, 1973, $1,800,000,000 for the fiscal year ending June 30, 1974, and $2,000,000,000 for fiscal year ending June 30, 1975, and for each of the following fiscal years ending prior to October 1, 1980. Thereafter, Federal loan insurance pursuant to this part may be granted only for loans made (or for loan installments paid pursuant to lines of credit) to enable students, who have obtained prior loans insured under this part, to continue or complete their educational program; but no insurance may be granted for any loan made or installment paid after September 30, 1984.

"(b) The Commissioner may, if he finds it necessary to do so in order to assure an equitable distribution of the benefits of this part, assign, within the maximum amounts, specified in subsection (a), Federal loan insurance quotas applicable to eligible lenders, or to States or areas, and may from time to time reassign unused portions of these quotas.

"LIMITATIONS ON INDIVIDUAL FEDERALLY INSURED LOANS AND ON FEDERAL LOAN INSURANCE

"SEC. 425. (a) The total of the loans made to a student in any academic year or its equivalent (as determined under regulations of the Commissioner) which may be covered by Federal loan insurance under this part may not exceed $1,000 in the first year of postsecondary education of any student, or $1,500 in any subsequent year of such student's postsecondary education, except in cases where the Commissioner determines, pursuant to regulations prescribed by him, that a higher amount is warranted in order to carry out the purposes of this part with respect to students engaged in specialized training requiring exceptionally high costs of education. The aggregate insured unpaid principal amount for all such insured loans made to any student shall not at any time exceed $5,000, in the case of any student who has not successfully completed a program of undergraduate education, and $10,000 in the case of any graduate or professional student (as defined by regulations of the Commissioner and including any loans which are insured by the Commissioner under this part or by a State or nonprofit institution or organization with which the Commissioner has an agreement under section 428 (a) made to such person before he became a graduate or professional student). The annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any years in excess of the annual limit.

"(b) The insurance liability on any loan insured by the Commissioner under this part shall be 100 per centum of the unpaid balance of the principal amount of the loan plus interest. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under the provisions of section 430 or 436 of this part.

"SOURCES OF FUNDS

"Sec. 426. Loans made by eligible lenders in accordance with this part shall be insurable by the Commissioner whether made from funds fully owned by the lender or from funds held by the lender in a trust or similar capacity and available for such loans.

"ELIGIBILITY OF STUDENT BORROWERS AND TERMS OF FEDERALLY INSURED STUDENT LOANS

"Sec. 427. (a) A loan by an eligible lender shall be insurable by the Commissioner under the provisions of this part only if—

"(1) made to a student who (A) has been accepted for enrollment at an eligible institution or, in the case of a student already attending such institution, is in good standing there as determined by the institution, and (B) is carrying at least one-half of the normal full-time workload as determined by the institution; and

"(2) evidenced by a note or other written agreement which—

"(A) is made without security and without endorsement, except that if the borrower is a minor and such note or other written agreement executed by him would not, under the applicable law, create a binding obligation, endorsement may be required,

"(B) provides for repayment (except as provided in subsection (c)) of the principal amount of the loan in equal installments over a period of not less than five years (unless sooner repaid) nor more than ten years beginning not earlier than nine months nor later than one year after the date on which the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, except (i) as provided in clause (C) below, (ii) that the period of the loan may not exceed fifteen years from the execution of the note or written agreement evidencing it (excluding periods during which installments of principal need not be paid under subclause (C)) and (iii) that the note or other written instrument may contain such provisions relating to repayment in the event of default in the payment of interest or in the payment of the cost of insurance premiums, or other default by the borrower, as may be authorized by regulations of the Commissioner in effect at the time the loan is made,

"(C) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period (i) during which the borrower is pursuing a full-time course of study at an 'eligible institution', (ii) not in excess of three years, during which the borrower is a member of the Armed Forces of the United States, (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, or (iv) not in excess of three years during which the borrower is in service as a full-time volunteer under the Domestic Volunteer Service Act of 1973, and any such period shall not be included in determining the ten-year period or the fifteen-year period provided in clause (B) above, "(D) provides for interest on the unpaid principal balance of the loan at a yearly rate, not exceeding the applicable maximum rate prescribed and defined by the Secretary (within the limits set forth in subsection (b)) on a national, regional, or other appropriate basis, which interest shall be payable in installments over the period of the loan except that, if provided in the note or other written agreement, any interest payable by the student may be deferred until not later than the date upon which repayment of the first installment of principal falls due, in which case interest that has so accrued during that period may be added on that date to the principal,

"(E) provides that the lender will not collect or attempt to collect from the borrower any portion of the interest on the note which is payable by the Commissioner under this part, and that the lender will enter into such agreements with the Commissioner as may be necessary for the purposes of section 436.

"(F) entitles the student borrower to accelerate without penalty repayment of the whole or any part of the loan, and

"(G) contains such other terms and conditions, consistent with the provisions of this part and with the regulations issued by the Commissioner pursuant to this part, as may be agreed upon by the parties to such loan, including, if agreed upon, a provision requiring the borrower to pay to the lender, in addition to principal and interest, amounts equal to the insurance premiums payable by the lender to the Commissioner with respect to such loan.

"(b) No maximum rate of interest prescribed and defined by the Secretary for the purposes of clause (2) (D) of subsection (a) may exceed 7 per centum per annum on the unpaid principal balance of the loan.

"(c) The total of the payments by a borrower during any year of any repayment period with respect to the aggregate amount of all loans to that borrower, which are insured under this part, or which are made by a State or the Commissioner, under section 425(a) or 433, respectively, shall not be less than $360 or the balance of all of such loans (together with interest therein), whichever amount is less.

"FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS; SPECIAL ALLOWANCES

"SEC. 428A. (a) (1) Each student who has received a loan for study at an eligible institution—

"(A) which is insured by the Commissioner under this part;

"(B) which was made under a State student loan program (meeting criteria prescribed by the Commissioner), and which was contracted for, and paid to the student, within the period specified by paragraph (5); or

"(C) which is insured under a program of a State or of a nonprofit private institution or organization which was contracted for, and paid to the student, within the period specified in paragraph (5), and which—

"(i) in the case of a loan insured prior to July 1, 1967, was made by an eligible lender and is insured under a program which meets the requirements of subparagraph (E) of section 428(a)(1) and provides that repayment of such loan shall be in installments beginning not earlier than sixty days after the student ceases to pursue a course of study (as described in subparagraph (D) of section 428(a)(1) at an eligible institution, or

"(ii) in the case of a loan insured after June 30, 1967, is insured under a program covered by an agreement made pursuant to subsection (b),

shall be entitled to have paid on his behalf and for his account to the holder of the loan a portion of the interest on such loan at the time of execution of the note or written agreement evidencing such loan under circumstances described in paragraph (2).

"(2) (A) Each student qualifying for a portion of an interest payment under paragraph (1) shall have provided to the lender a statement from an eligible institution that the student has been accepted for enrollment, or that he is in attendance in good standing (as determined by such institution), and which meets the requirements of subparagraph (B).

"(B) For the purposes of clause (ii) of subparagraph (A), a student shall qualify for a portion of an interest payment under paragraph (1) if such student's adjusted family income is (i) less than $15,000, or (ii) is equal to or greater than $15,000 and the institution at which the student has been accepted for enrollment or at which he is in attendance has provided the lender with a statement evidencing a determination of need.

"(C) For the purposes of paragraph (1) and this paragraph—

"(i) the determination of need by an eligible institution under subparagraph (B) (ii) with respect to a student shall be determined by subtracting from the estimated cost of attendance at such institution the total of the expected family contribution with respect to such student (as determined by means other than one formulated by the Commissioner under subpart 1 of part A of this title) plus any other resources or student financial assistance reasonably available to such student;

"(ii) a student's estimated cost of attendance means the full cost, as determined by the Commissioner, for the period for which the loan is sought, of tuition, fees, and other direct instructional costs for that student at the institution which that student attends, together with an allowance for the average cost of living at such institution or for reasonable expenses for commuting, whichever is appropriate;

"(iii) a student's estimated financial assistance means, for the period for which the loan is sought, the amount of assistance such student will receive under parts A, C, and E of this title, plus other scholarship, grant, or loan assistance.

"(3) (A) The portion of the interest on a loan which a student is entitled to have paid on his behalf and for his account to the holder of the loan pursuant to paragraph (1) of this subsection shall be equal to the total amount of the interest on the unpaid principal amount of the loan which accrues prior to the beginning of the repayment period of the loan, or which accrues during a period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in section 427 (a) (2) (C) : but such portion of the interest on a loan shall not exceed, for any period, the amount of the interest on that loan which is payable by the student after taking into consideration the amount of any interest on that loan which the student is entitled to have paid on his behalf for that period under any State or private loan insurance program. The holder of a loan with respect to which payments are required to be made under this section shall be deemed to have a contractual right, as against the United States, to receive from the Commissioner the portion of interest which has been so determined. The Commissioner shall pay this portion of the interest and administrative cost allowance to the holder of the loan on behalf of and for the account of the borrower at such times as may be specified in regulations in force when the applicable agreement entered into pursuant to subsection 428 (a) was made, or if the loan was made by a State or is insured under a program which is not covered by such an agreement, at such times as may be specified in regulations in force at the time the loan was paid to the student.

"(4) Each holder of a loan with respect to which payments of interest are required to be made by the Commissioner shall submit to the Commissioner, at such time or times and in such manner as he may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Commissioner to determine the amount of the payment which he must make with respect to that loan.

"(5) The period referred to in subparagraphs (B) and (C) of paragraph (1) of this subsection shall begin on the date of enactment of this Act and end at the close of September 30, 1980, except that, in the case of a loan made or insured under a student loan or loan insurance program to enable a student who has obtained a prior loan made or insured under such program to continue his educational program, such period shall end at the close of September 30, 1984.

"(6) No payment may be made under this section with respect to the interest on a loan made from a student loan fund established under title II of the National Defense Education Act of 1958.

"(7) Nothing in this or any other Act shall be construed to prohibit or require unless otherwise specifically provided by law, a lender to evaluate the total financial situation of a student making application for a loan under this part, or to counsel a student with respect to any such loan, or to make a decision based on such evaluation and counseling with respect to the dollar amount of any such loan.

"(b) (1) The Commissioner shall pay to each holder of a loan or loans insured under this part or under a program of a State or of a nonprofit private institution or organization covered by an agreement under section 428 (a) of this Act a special allowance for each quarter of each calendar year which shall be equal to the percentage, as determined under paragraph (2), of the average unpaid balance of disbursed principal (not including interest added to principal) of all such loans held by such holder during such quarter, which balance shall be computed in a manner specified under regulations of the Commissioner.

"(2) The percentage, as determined under this paragraph, for purposes of determining the special allowance for a quarter to holders of loans under paragraph (1), shall be 3 per centum above the per centum which represents the average interest earned by ninety-day Treasury bills for that quarter.

"(3) The special allowance established for any such quarter shall be payable at such time, after the close of such period, as may be specified by or pursuant to regulations promulgated by the Commissioner under this subsection. The holder of a loan with respect to which any such allowance is to be paid shall be deemed to have a contractual right, as against the United States, to receive such allowance from the Commissioner, subject to the condition that such holder shall submit to the Commissioner, at such time or times and in such manner as he may deem proper, such information as may be required by regulation for the purpose of enabling the Commissioner to carry out his functions under this subsection and to carry out the purposes of this subsection.

"STATE GUARANTEE AGENCIES

"SEC. 428. (a) (1) Any State or any nonprofit institution or organization may enter into an agreement with the Commissioner for the purpose of entitling students who receive loans which are insured under a student loan insurance program of that State, institution, or organization to have made on their behalf the payments provided for in subsection (a) of section 428A if the Commissioner determines that the student loan insurance program—

"(A) authorizes the insurance of not less than $1,000 nor more than $1,500 (except in those cases where the Commissioner determines, pursuant to regulations prescribed by him, that a higher amount is warranted in order to carry out the purposes of this part with respect to students engaged in specialized training requiring exceptionally high costs of education), in loans to any individual student in any academic year or its equivalent (as determined under regulations of the

Commissioner), which limit shall not be deemed exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any such year in excess of such annual limit; and provides that the aggregate insured unpaid principal amount of all such insured loans made to any student shall not at any time exceed $5,000 in the case of any student who has successfully completed a program of undergraduate education, and $10,000 in the case of any graduate or professional student (as defined by regulations of the Commissioner and including any loans which are insured by the Commissioner under this part or by a State or nonprofit institution, organization with which the Commissioner has an agreement under this part made to such person before he became a graduate or professional student);

"(B) authorizes the insurance of loans to any individual student for at least six academic years of study or their equivalent (as determined under regulations of the Commissioner);

"(C) provides that (i) the student borrower shall be entitled to accelerate without penalty the whole or any part of an insured loan, (ii) except as provided in subsection (e) of this section, the period of any insured loan may not exceed fifteen years (excluding periods during which installments of principal need not be paid under section 427 (a) (2) (C)) from the date of execution of the note or other written evidence of the loan, and (iii) the note or other written evidence of any loan may contain such provisions relating to repayment in the event of default by the borrower as may be authorized by regulations of the Commissioner in effect at the time such note or written evidence was executed;

"(D) subject to subparagraphs (C) and (K) of this paragraph, provides that repayment of loans shall be in installments over a period of not less than five years nor more than ten years (excluding periods during which installments of principal need not be paid under section 427 (a) (2) (C)) beginning not earlier than nine months nor later than one year after the student ceases to pursue a full-time course of study at an eligible institution, except that if the program provides for the insurance of loans for part-time study at eligible institutions the program shall provide that such repayment period shall begin not earlier than nine months nor later than one year after the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution;

"(E) authorizes interest on the unpaid balance of the loan at a yearly rate not in excess of 7 per centum per annum on the unpaid principal balance of the loan (exclusive of any premium for insurance which may be passed on to the borrower);

"(F) insures not less than 80 per centum of the unpaid principal of loans insured under the program;

"(G) does not provide for collection of an excessive insurance premium;

"(H) provides that the benefits of the loan insurance program will not be denied any student who is eligible for interest benefits under section 428A (a) (1) and (2) except in the case of loans made by an instrumentality of a State or eligible institution;

"(I) provides that a student may obtain insurance under the program for a loan for any year of study at an eligible institution;

"(J) in the case of a State program, provides that such State program is administered by a single State agency, or by one or more nonprofit private institutions or organizations under the supervision of a single State agency;

"(K) provides that the total of the payments by a borrower during any year of any repayment period with respect to the aggregate amount of all loans to that borrower which are (i) insured under this part, or (ii) made by a State or the Commissioner under section

428A (a) (1) (B) shall not be less than $360 or the balance of all such loans (together with interest thereon), whichever amount is less; and

"(L) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid during any period (i) during which the borrower is pursuing a full-time course of study at an eligible institution, (ii) not in excess of three years during which the borrower is a member of the Armed Forces of the United States, (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, or (iv) not in excess of three years during which the borrower is in service as a full-time volunteer under the Domestic Volunteer Service Act of 1973.

"(2) Such an agreement shall—

"(A) provide that the holder of any such loan will be required to submit to the Commissioner, at such time or times and in such manner as he may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Commissioner to determine the amount of the payment which he must make with respect to that loan;

"(B) include such other provisions as may be necessary to protect the financial interest of the United

States and promote the purposes of this part, including such provisions as may be necessary for the purpose of section 436, and as are agreed to by the Commissioner and the State or nonprofit private organization or institution, as the case may be; and

"(C) provide for making such reports in such form and containing such information as the Commissioner may reasonably require to carry out his function under this part and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports.

"(b) (1) The Commissioner may enter into a guaranty agreement with any State or any nonprofit private institution or organization with which he has an agreement pursuant to subsection (a), whereby the Commissioner shall undertake to reimburse it, under such terms and conditions as he may establish, in an amount equal to 80 per centum of the amount expended by it in discharge of its insurance obligation, incurred under its loan insurance program, with respect to losses (resulting from the default of the student borrower) on the unpaid balance of any insured loan, including interest due before the date of such expenditure, with respect to which a portion of the interest (A) is payable by the Commissioner under subsection (a), or (B) would be payable under such subsection but for the borrower's lack of need. The Commissioner shall make no reimbursement of losses under this subsection to any State which conducts a student loan insurance program or to any institution or organization which is authorized by a State to conduct such a program for that State if such program denies access to any student who resides in that State, on the basis of the location of the eligible institution which such student attends.

"(2) The guaranty agreement—

"(A) shall set forth such administrative and fiscal procedures as may be necessary to protect the United States from the risk of unreasonable loss thereunder, to insure proper and efficient administration of the loan insurance program, and to assure that due diligence will be exercised in the collection of loans insured under the program;

"(B) shall provide for making such reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his functions under this subsection, and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports;

"(C) shall set forth adequate assurance that, with respect to so much of any loan insured under the loan insurance program as may be guaranteed by the Commissioner pursuant to this subsection, the undertaking of the Commissioner under the guaranty agreement is acceptable in full satisfaction of State law or regulation requiring the maintenance of a reserve;

"(D) shall provide that if, after the Commissioner has made payment under the guaranty agreement pursuant to paragraph (1) of this subsection with respect to any loan, any payments are made in discharge of the obligation incurred by the borrower with respect to such loan (including any payments of interest accruing on such loan after such payment by the Commissioner), there shall be paid over to the Commissioner (for deposit in the fund established by section 431) such proportion of the amounts of such payments as is determined (in accordance with regulations prescribed by the Commissioner) to represent his equitable share thereof, but shall not otherwise provide for subrogation of the United States to the rights of any insurance beneficiary: *Provided*, That, except as the Commissioner may otherwise by or pursuant to regulation provide, amounts so paid by a borrower on such a loan shall be first applied in reduction of principal owing on such loan;

"(E) a State which conducts a student loan insurance program or an institution or organization which is authorized by a State to conduct such a program for that State shall receive an administrative allowance from the Commissioner which shall be equal to an amount per fiscal year which is equal to 1½ per centum of the total amount of the loans insured in such fiscal year by such State, institution, or organization; and

"(F) may include such other provisions as may be necessary to promote the purposes of this part.

"(3) To the extent provided in regulations of the Commissioner, a guaranty agreement under this subsection may contain provisions which permit such forbearance for the benefit of the student borrower as may be agreed upon by the parties to an insured loan and approved by the insurer.

"(4) For purposes of this subsection, the terms "insurance beneficiary" and "default" shall have the meanings assigned to them by section 430(e).

"(5) In the case of any guaranty agreement entered into prior to September 1, 1969, with a State or nonprofit private institution or organization with which the Commissioner has in effect on that date an agreement pursuant to subsection (a) of this section, or section 9(b) of the National Vocational Student Loan Insurance Act of 1965, made prior to the date of enactment of this subsection, the Commissioner may, in accordance with the terms of this subsection, undertake to guarantee loans described in paragraph (1) which are insured by such State, institution, or organization and are outstanding on the date of execution of the guaranty agreement, but only with respect to defaults occurring after the execution of such guaranty agreement or, if later, after its effective date.

"(c) No provision of any law of the United States (other than sections 427(a)(2)(D) and 427(b) of this Act) or of any State (other than a statute applicable principally to such State's student loan insurance program) which limits the rate or amount of interest payable on loans shall apply to a loan—

"(1) which bears interest (exclusive of any premium for insurance) on the unpaid principal balance at a rate not in excess of 7 per centum per annum, and

"(2) which is insured (A) by the United States under this part, or (B) by a State or nonprofit institution or organization under a program covered by an agreement made pursuant to subsection (a) of this section.

"CERTIFICATE OF FEDERAL LOAN INSURANCE—EFFECTIVE DATE OF INSURANCE

"SEC. 429. (a) (1) If, upon application by an eligible lender, made upon such form, containing such information, and supported by such evidence as the Commissioner may require, and otherwise in conformity with this section, the Commissioner finds that the applicant has made a loan to an eligible student which is insurable under the provisions of this part, he may issue to the applicant a certificate of insurance covering the loan and setting forth the amount and terms of the insurance.

"(2) Insurance evidenced by a certificate of insurance pursuant to subsection (a) (1) shall become effective upon the date of issuance of the certificate, except that the Commissioner is authorized, in accordance with regulations, to issue commitments with respect to proposed loans, or with respect to lines (or proposed lines) of credit, submitted by eligible lenders, and in that event, upon compliance with subsection (a) (1) by the lender, the certificate of insurance may be issued effective as of the date when any loan, or any payment by the lender pursuant to a line of credit, to be covered by such insurance was made. Such insurance shall cease to be effective upon sixty days' default by the lender in the payment of any installment of the premiums payable pursuant to subsection (c).

"(3) An application submitted pursuant to subsection (a) (1) shall contain (A) an agreement by the applicant to pay, in accordance with regulations, the premiums fixed by the Commissioner pursuant to subsection (c), and (B) an agreement by the applicant that if the loan is covered by insurance the applicant will submit such supplementary reports and statements during the effective period of the loan agreement, upon such forms, at such times, and containing such information as the Commissioner may prescribe by or pursuant to regulation.

"(b) (1) In lieu of requiring a separate insurance application and issuing a separate certificate of insurance for each student loan made by an eligible lender as provided in subsection (a), the Commissioner may, in accordance with regulations consistent with section 424, issue to any eligible lender applying therefor a certificate of comprehensive insurance coverage which shall, without further action by the Commissioner, insure all insurable loans made by that lender, on or after the date of the certificate and before a specified date which occurs before the date determined for the State in which the lender is located by the operation of section 423 (a) (1), within the limits of an aggregate maximum amount stated in the certificate. Such regulations may provide for conditioning such insurance, with respect to any loan, upon compliance by the lender with such requirements (to be stated or incorporated by reference in the certificate) as in the Commissioner's judgment will best achieve the purpose of this subsection while protecting the financial interest of the United States and promoting the objectives of this part, including (but not limited to) provisions as to the reporting of such loans and information relevant thereto to the Commissioner and as to the payment of initial and other premiums and the effect of default therein, and including provision for confirmation by the Commissioner from time to time (through endorsement of the certificate) of the coverage of specific new loans by such certificate, which confirmation shall be incontestable by the Commissioner in the absence of fraud or misrepresentation of fact or patent error.

"(2) If the holder of a certificate of comprehensive insurance coverage issued under this subsection grants to a student a line of credit extending beyond the cutoff date specified in that certificate, loans or payments thereon made by the holder after that date pursuant to the line of credit shall not be deemed to be included in the coverage of that certificate except as may be specifically provided therein; but, subject to the limitations of section 424, the Commissioner may, in accordance with regulations, make commitments to insure such future loans or payments, and such commitments may be honored either as provided in subsection (a) or by inclusion of such insurance in comprehensive coverage under this subsection for the period or periods in which such future loans or payments are made.

"(c) The Commissioner shall, pursuant to regulations, charge for insurance on each loan under this part a premium in an amount not to exceed one-fourth of 1 per centum per year of the unpaid principal amount of such loan (excluding interest added to principal), payable in advance, at such times and in such manner as may be prescribed by the Commissioner. Such regulations may provide that such premium shall not be payable, or if paid shall be refundable, with respect to any period after default in the payment of principal or interest or after the borrower has died or becomes totally and permanently disabled, if (1) notice of such default or other event has been duly given, and (2) requests for payment of the loss insured against has been made or the Commissioner has made such payment on his own motion pursuant to section 430 (a).

"(d) The rights of an eligible lender arising under insurance evidenced by a certificate of insurance issued to it under this section may be assigned as security by such lender only to another eligible lender, and subject to regulation by the Commissioner.

"(e) The consolidation of the obligations of two or more federally-insured loans obtained by a student borrower in any fiscal year into a single obligation evidenced by a single instrument of indebtedness shall not affect the insurance by the United States. If the loans thus consolidated are covered by separate certificates of insurance issued under subsection (a), the Commissioner may upon surrender of the original certificates issue a new certificate of insurance in accordance with that subsection upon the consolidated obligation; if they are covered by a single comprehensive certificate issued under subsection (b), the Commissioner may amend that certificate accordingly.

"DEFAULT OF STUDENT UNDER FEDERAL LOAN INSURANCE PROGRAM

"SEC. 430. (a) Upon default by the student borrower on any loan covered by Federal loan insurance pursuant to this part, and prior to the commencement of suit or other enforcement proceedings upon security for that loan, the insurance beneficiary shall promptly notify the Commissioner, and the Commissioner shall if requested (at that time or after further collection efforts) by the beneficiary, or may on his own motion, if the insurance is still in effect, pay to the beneficiary the amount of the loss sustained by the insured upon that loan as soon as that amount has been determined. The "amount of the loss" on any loan shall, for the purposes of this subsection and subsection (b), be deemed to be an amount equal to the unpaid balance of the principal amount and interest.

"(b) Upon payment by the Commissioner of the amount of the loss pursuant to subsection (a), the United States shall be subrogated for all of the rights of the holder of the obligation upon the insured loan and shall be entitled to an assignment of the note or other evidence of the insured loan by the insurance beneficiary. If the net recovery made by the Commissioner on a loan after deduction of the cost of that recovery (including reasonable administrative costs) exceeds the amount of the loss, the excess shall be paid over to the insured.

"(c) Nothing in this section or in this part shall be construed to preclude any forebearance for the benefit of the student borrower which may be agreed upon by the parties to the insured loan and approved by the Commissioner or to preclude forbearance by the Commissioner in the enforcement of the insured obligation after payment on that insurance.

"(d) Nothing in this section or in this part shall be construed to excuse the holder of a federally insured loan from exercising reasonable care and diligence in the making and collection of loans under the provisions of this part. If the Commissioner, after reasonable notice and opportunity for hearing to an eligible lender, finds that it has substantially failed to exercise such care and diligence or to make the reports and statements required under section 428A (a) (3) and section 429 (a) (3), or to pay the required Federal loan insurance premiums, he shall disqualify that lender for further Federal insurance on loans granted pursuant to this part until he is satisfied that its failure has ceased and finds that there is reasonable assurance that the lender will in the future exercise necessary care and diligence or comply with such requirements, as the case may be.

"(e) As used in this section—

"(1) the term 'insurance beneficiary' means the insured or its authorized assignee in accordance with section 429 (d); and

"(2) the term 'default' includes only such defaults as have existed for (A) one hundred and twenty days in the case of a loan which is repayable in monthly installments, or (B) one hundred and eighty days in the case of a loan which is repayable in less frequent installments.

"INSURANCE FUND

"SEC. 431. (a) There is hereby established a student loan insurance fund (hereinafter in this section called the 'fund') which shall be available without fiscal year limitation to the Commissioner for making payments in connection with the default of loans insured by him under this part, or in connection with payments under a guaranty agreement under section 428 (b). All amounts received by the Commissioner as premium charges for insurance and as receipts, earnings, or proceeds derived from any claim or other assets acquired by the Commissioner in connection with his operations under this part, and any other moneys, property, or assets derived by the Commissioner from his operations in connection with this section, shall be deposited in the fund. All payments in connection with the default of loans insured by the Commissioner under this part, or in connection with such guaranty agreements shall be paid from the fund. Moneys in the fund not needed for current operations under this section may be invested in bonds or other obligations guaranteed as to principal and interest by the United States.

"(b) If at any time the moneys in the fund are insufficient to make payments in connection with the default of any loan insured by the Commissioner under this part, or in connection with any guaranty agreement made under section 428 (b), the Commissioner is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Commissioner with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Sums borrowed under this subsection shall be deposited in the fund and redemption of such notes and obligations shall be made by the Commissioner from such fund.

"LEGAL POWERS AND RESPONSIBILITIES

"SEC. 432. (a) In the performance of, and with respect to, the functions, powers, and duties vested in him by this part, the Commissioner may—

"(1) prescribe such regulations as may be necessary to carry out the purposes of this part;

"(2) sue and be sued in any court of record of a State having general jurisdiction or in any district court of the United States, and such district courts shall have jurisdiction of civil actions arising under this part without regard to the amount in controversy, and action instituted under this subsection by or against the Commissioner shall survive notwithstanding any change in the person occupying the office of Commissioner or any vacancy in that office; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Commissioner or property under his control, and nothing herein shall be construed to except litigation arising out of activities under this part from the application of sections 507 (b) and 2679 of title 28 of the United States Code and of section 316 of Title 5.

"(3) include in any contract for Federal loan insurance such terms, conditions, and covenants relating to repayment of principal and payment of interest, relating to his obligations and rights and to those of eligible lenders, and borrowers in case of default, and relating to such other matters as the Commissioner determines to be necessary to assure that the purposes of this part will be achieved; and any term, condition, and covenant made pursuant to this clause or any other provisions of this part may be modified by the Commissioner if he determines that modification is necessary to protect the financial interest of the United States;

"(4) subject to the specific limitations in this part, consent to the modification, with respect to rate of interest, time of payment of any installment of principal and interest or any portion thereof, or any other provision of any note or other instrument evidencing a loan which has been insured by him under this part;

"(5) enforce, pay, or compromise, any claim on, or arising because of, any such insurance or any guarantee agreement under section 428(b); and

"(6) enforce, pay, compromise, waive, or release any right, title, claim, lien or demand however acquired, including any equity or any right or redemption.

"(b) The Commissioner shall, with respect to the financial operations arising by reason of this part—

"(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act; and

"(2) maintain with respect to insurance under this part an integral set of accounts, which shall be audited annually by the General Accounting Office in accordance with principles and procedures applicable to commercial corporate transactions, as provided by section 105 of the Government Corporation Control Act, except that the transactions of the Commissioner, including the settlement of insurance claims and of claims for payments pursuant to section 428, 428A, and section 428 and transactions related thereto and vouchers approved by the Commissioner in connection with such transactions, shall be final and conclusive upon all accounting and other officers of the Government.

"PARTICIPATION BY FEDERAL CREDIT UNIONS IN FEDERAL, STATE, AND PRIVATE STUDENT LOAN INSURANCE PROGRAMS

"SEC. 433. Notwithstanding any other provision of law, Federal credit unions shall, pursuant to regulations of the Director of the Bureau of Federal Credit Unions, have power to make insured loans to student members in accordance with the provisions of this part relating to federally insured loans, or in accordance with the provisions of any State or nonprofit private student loan insurance program which meets the requirements of section 428A (a) (1) (C).

"DEFINITION OF ELIGIBLE LENDER

"SEC. 434. (a) As used in this part, the term 'eligible lender' means (1) a financial or credit institution (including an insurance company) which is subject to examination and supervision by an agency of the United States or of any State or (2) a pension fund approved by the Commissioner for this purpose, the primary purpose of which is other than the making or holding of student loans.

"(b) The term 'line of credit' means an arrangement or agreement between the lender and the borrower whereby a loan is paid out by the lender to the borrower in annual installments, or whereby the lender agrees to make, in addition to the initial loan, additional loans in subsequent years.

"DISTRICT OF COLUMBIA STUDENT LOAN INSURANCE PROGRAM

"SEC. 435. (a) The Mayor of the District of Columbia is authorized (1) to establish a student loan insurance program which meets the requirements of this part for a State loan insurance program in order to enter into agreements with the Commissioner for the purposes of this title and such Act, (2) to enter into such agreements with the Commissioner, (3) to use amounts appropriated to such Board for the purposes of this section to establish a fund for such purposes and for expenses in connection therewith, and (4) to accept and use donations for the purposes of this section.

"(b) Notwithstanding the provisions of any applicable law, if the borrower, on any loan insured under the program established pursuant to this section, is a minor, any otherwise valid note or other written agreement executed by him for the purposes of such loan shall create a binding obligation.

"(c) There are authorized to be appropriated to the Mayor of the District of Columbia such amounts as may be necessary for the purposes of this section.

"REPAYMENT BY THE COMMISSIONER OF LOANS OF DECEASED OR DISABLED BORROWERS

"SEC. 436. If a student borrower who has received a loan described in clause (A), (B), or (C) of section 428A (a)(1) dies or becomes permanently and totally disabled (as determined in accordance with regulations of the Commissioner), then the Commissioner shall discharge the borrower's liability on the loan by repaying the amount owed on the loan.

"ELIGIBILITY OF INSTITUTIONS

"SEC. 437. (a) Notwithstanding any other provision of this part, the Commissioner is authorized to prescribe such regulations as may be necessary to provide for—

"(1) a fiscal audit of an eligible institution with regard to any funds obtained from a student who has received a loan insured under this part, or insured by a State or nonprofit private institution or organization with which the Commissioner has an agreement under section 428(a);

"(2) the establishment of reasonable standards of financial responsibility and appropriate institutional capability for the administration by an eligible institution of a program of student financial aid with respect to funds obtained from a student who has received a loan insured under this part, or insured by a State or nonprofit private institution or organization with which the Commissioner has an agreement under section 428(a);

"(3) the limitation, suspension, or termination of the eligibility under this part of any otherwise eligible institution, whenever the Commissioner has determined, after notice and affording an opportunity for hearing, that such institution has violated or failed to carry out any regulation prescribed under this part.

"(b) The Commissioner shall publish a list of State agencies which he determines to be reliable authority as to the quality of public postsecondary vocational education in their respective States for the purpose of determining eligibility for all Federal student assistance programs.

"STUDENT LOAN MARKETING ASSOCIATION

"SEC. 438. (a) The Congress hereby declares that it is the purpose of this section to establish a Government-sponsored private corporation which will be financed by private capital and which will serve as a secondary market and warehousing facility for insured student loans, insured by the Commissioner under this part or by a State or nonprofit private institution or organization with which the Commissioner has an agreement under section 428 (a), and which will provide liquidity for student loan investments.

"(b) (1) There is hereby created a body corporate to be known as the Student Loan Marketing Association (hereinafter referred to as the 'Association'). The Association shall have succession until dissolved. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Offices may be established by the Association in such other place or places as it may deem necessary or appropriate for the conduct of its business.

"(2) The Association, including its franchise, capital, reserves, surplus, mortgages, or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

"(3) There is hereby authorized to be appropriated to the Secretary of Health, Education, and Welfare $5,000,000 for making advances for the purpose of helping to establish the Association. Such advances shall be repaid within such period as the Secretary may deem to be appropriate in light of the maturity and solvency of the Association. Such advances shall bear interest at a rate not less than (A) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the maturity of such advances, adjusted to the nearest one-eighth of 1 per centum, plus (B) an allowance adequate in the judgment of the

Secretary to cover administrative costs and probable losses. Repayments of such advances shall be deposited into miscellaneous receipts of the Treasury.

"(c) (1) The Association shall have a Board of Directors which shall consist of twenty-one persons, one of whom shall be designated Chairman by the President.

"(2) An interim Board of Directors shall be appointed by the President, one of whom he shall designate as interim Chairman. The interim Board shall consist of twenty-one members, seven of whom shall be representative of banks or other financial institutions which are insured lenders pursuant to this section, seven of whom shall be representative of educational institutions, and seven of whom shall be representative of the general public. The interim Board shall arrange for an initial offering of common and preferred stocks and take whatever other actions are necessary to proceed with the operations of the Association.

"(3) When in the judgment of the President, sufficient common stock of the Association has been purchased by educational institutions and banks or other financial institutions, the holders of common stock which are educational institutions shall elect seven members of the Board of Directors and the holders of common stock which are banks or other financial institutions shall elect seven members of the Board of Directors. The President shall appoint the remaining seven directors, who shall be representative of the general public.

"(4) At the time the events described in paragraph (3) have occurred, the interim Board shall turn over the affairs of the Association to the regular Board so chosen or appointed.

"(5) The directors appointed by the President shall serve at the pleasure of the President and until their successors have been appointed and have qualified. The remaining directors shall each be elected for a term ending on the date of the next annual meeting of the common stockholders of the Association, and shall serve until their successors have been elected and have qualified. Any appointive seat on the Board which becomes vacant shall be filled by appointment of the President. Any elective seat on the Board which becomes vacant after the annual election of the directors shall be filled by the Board, but only for the unexpired portion of the term.

"(6) The Board of Directors shall meet at the call of its Chairman, but at least semiannually. The Board shall determine the general policies which shall govern the operations of the Association. The Chairman of the Board shall, with the approval of the Board, select, appoint, and compensate qualified persons to fill the offices as may be provided for in the bylaws, with such executive functions, powers, and duties as may be prescribed by the bylaws or by the Board of Directors, and such persons shall be the executive officers of the Association and shall discharge all such executive functions, powers, and duties.

"(d) (1) The Association is authorized, subject to the provisions of this section, pursuant to commitments or otherwise, to make advances on the security of, purchase, service, sell, or otherwise deal in, at prices and on terms and conditions determined by the Association, student loans which are insured by the Commissioner under this part or by a State or nonprofit private institution or organization with which the Commissioner has an agreement under section 428 (a).

"(2) Any warehousing advance made under paragraph (1) of this subsection shall not exceed 80 per centum of the face amount of an insured loan. The proceeds from any such advance shall be invested in additional insured student loans.

"(e) The Association, pursuant to such criteria as the Board of Directors may prescribe, shall make advances on security or purchase student loans pursuant to subsection (d) only after the Association is assured that the lender (A) does not discriminate by pattern or practice against any particular class or category of students, or against any particular student, by requiring that, as a condition to the receipt of a loan, the student or his family maintain a business relationship with the lender, except that this clause shall not apply in the case of a loan made by a credit union, savings and loan association, mutual savings bank, or any other lender with less than $50,000,000 in deposits, and (B) does not discriminate on the basis of race, sex, color, creed, age, or national origin.

"(f) (1) The Association shall have common stock having a par value of $100 per share which may be issued only to lenders under this part, pertaining to guaranteed student loans, who are qualified as insured lenders under this part or who are eligible institutions as defined in section 491) (other than an institution outside the United States).

"(2) Each share of common stock shall be entitled to one vote with rights of cumulative voting at all elections of directors. Voting shall be by classes as described in subsection (c) (3).

"(3) The common stock of the Association shall be transferable only as may be prescribed by regulations of the Secretary of Health, Education, and Welfare, and, as to the Association, only on the books of the Association. The Secretary of Health, Education, and Welfare shall prescribe the maximum number of shares of common stock the Association may issue and have outstanding at any one time.

"(4) To the extent that net income is earned and realized, subject to subsection (g) (2), dividends may be declared on common stock by the Board of Directors. Such dividends as may be declared by the Board shall be paid to the holders of outstanding shares of common stock, except that no such dividends shall be payable with respect to any share which has been called for redemption past the effective date of such call.

"(g) (1) The Association is authorized, with the approval of the Secretary of Health, Education, and Welfare, to issue nonvoting preferred stock with a par value of $100 per share. Any preferred share issued shall be freely transferable, except that, as to the Association, it shall be transferred only on the books of the Association.

"(2) The holders of the preferred shares shall be entitled to such rate of cumulative dividends and such shares shall be subject to such redemption or other conversion provisions, as may be provided for at the time of issuance. No dividends shall be payable on any share of common stock at any time when any dividend is due on any share of preferred stock and has not been paid.

"(3) In the event of any liquidation, dissolution, or winding up of the Association's business, the holders of the preferred shares shall be paid in full at par value thereof, plus all accrued dividends, before the holders of the common shares receive any payment.

"(h) (1) The Association is authorized with the approval of the Secretary of Health, Education, and Welfare and the Secretary of the Treasury to issue and have outstanding obligations having such maturities and bearing such rate or rates of interest as may be determined by the Association. Such obligations may be redeemable at the option of the Association before maturity in such manner as may be stipulated therein.

"(2) The Secretary of Health, Education, and Welfare is authorized prior to October 1, 1987, to guarantee payment when due of principal and interest on obligations issued by the Association in an aggregate amount determined by the Secretary in consultation with the Secretary of the Treasury.

"(3) To enable the Secretary of Health, Education, and Welfare to discharge his responsibilities under guarantees issued by him, he is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions, as may be prescribed by the Secretary of Health, Education, and Welfare with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the months preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. There is authorized to be appropriated to the Secretary of Health, Education, and Welfare such sums as may be necessary to pay the principal and interest on the notes or obligations issued by him to the Secretary of the Treasury.

"(i) The Association shall have power—

"(1) to sue and be sued, complain and defend, in its corporate name and through its own counsel;

"(2) to adopt, alter, and use the corporate seal, which shall be judicially noticed;

"(3) to adopt, amend, and repeal by its Board of Directors, bylaws, rules, and regulations as may be necessary for the conduct of its business;

"(4) to conduct its business, carry on its operations, and have officers and exercise the power granted by this section in any State without regard to any qualification or similar statute in any State;

"(5) to lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with any property real, personal, or mixed, or any interest therein, wherever situated;

"(6) to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes of the Association;

"(7) to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of its property and assets;

"(8) to appoint such officers, attorneys, employees, and agents as may be required, to determine their qualifications, to define their duties, to fix their salaries, require bonds for them and fix the penalty thereof; and

"(9) to enter into contracts, to execute instruments, to incur liabilities, and to do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

"(j) The accounts of the Association shall be audited annually. Such audits shall be conducted in accordance with generally accepted auditing standards by independent certified public accountants or by independent licensed public accountants, licensed on or before December 31, 1970, who are certified or licensed by a regulatory authority of a State or other political subdivision of the United States, except that independent public accountants licensed to practice by such regulatory authority after December 31, 1970, and persons who, although not so certified or licensed, meet, in the opinion of the Secretary, standards of education and experience representative of the highest standards prescribed by the licensing authorities of the several States which provide for the continuing licensing of public accountants and which are prescribed by the Secretary in appropriate regulations may perform such audits until December 31, 1975. A report of each such audit shall be furnished to the Secretary of the Treasury. The audit shall be conducted at the place or places where the accounts are normally kept. The representatives of the Secretary shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Association and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians.

"(k) A report of each such audit for a fiscal year shall be made by the Secretary of the Treasury to the President and to the Congress not later than six months following the close of such fiscal year. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the President and the Congress informed of the operations and financial condition of the Association, together with such recommendations with respect thereto as the Secretary may deem advisable, including a report of any impairment of capital or lack of sufficient capital noted in the audit. A copy of each report shall be furnished to the Secretary of Health, Education, and Welfare and to the Association.

"(l) All obligations issued by the Association shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under authority or control of the United States or of any officer or officers thereof. All stock and obligations issued by the Association pursuant to this section shall be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission, to the same extent as securities which are direct obligations of, or obligations guaranteed as to principal or interest by, the United States. The Association shall, for the purposes of section 14 (b) (2) of the Federal Reserve Act, be deemed to be an agency of the United States.

"(m) In order to furnish obligations for delivery by the Association, the Secretary of the Treasury is authorized to prepare such obligations in such form as the Board of Directors may approve, such obligations when prepared to be held in the Treasury subject to delivery upon order by the Association. The engraved plates, dies, bed pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Association shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such obligations.

"(n) The Association shall, as soon as practicable after the end of each fiscal year, transmit to the President and the Congress a report of its operations and activities during each year.

"PART C—WORK-STUDY PROGRAMS

"STATEMENT OF PURPOSE; APPROPRIATIONS AUTHORIZED

"SEC. 441. (a) The purpose of this part is to stimulate and promote the part-time employment of students in eligible institutions who are in need of the earnings from such employment to pursue courses of study at such institutions.

"(b) There are authorized to be appropriated $225,000,000 for the fiscal year ending June 30, 1969, $275,000,-

000 for the fiscal year ending June 30, 1970, $320,000,000 for the fiscal year ending June 30, 1971, $330,000,000 for the fiscal year ending June 30, 1972, $360,000,000 for the fiscal year ending June 30, 1973, $390,000,000 for the fiscal year ending June 30, 1974, $420,000,000 for the fiscal year ending June 30, 1975, $450,000,000 for the fiscal year ending June 30, 1976, $480,000,000 for the fiscal year ending September 30, 1977, $510,000,000 for the fiscal year ending September 30, 1978, $540,000,000 for the fiscal year ending September 30, 1979, and $570,000,000 for the fiscal year ending September 30, 1980.

"ALLOTMENTS TO STATES

"SEC. 442. (a) From the sums appropriated to carry out this part for a fiscal year the Commissioner shall (1) allot not to exceed 2 per centum among Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Virgin Islands according to their respective needs for assistance under this part, and (2) reserve the amount provided by subsection (d). Ninety per centum of the remainder of such sums shall be allotted among the States as provided in subsection (b).

"(b) The sums being allotted under this subsection shall be allotted by the Commissioner among the States so that the allotment to each State under this subsection will be an amount which bears the same ratio to such sums as the number of persons enrolled on a full-time basis in institutions of higher education in such State bears to the total number of persons enrolled on a full-time basis in institutions of higher education in all the States.

"(c) The amount of any State's allotment which has not been granted to an eligible institution under section 443 at the end of the fiscal year for which appropriated shall be reallotted by the Commissioner in such manner as he determines will best assist in achieving the purposes of this Act. Amounts reallotted under this subsection shall be available for making grants under section 443 until the close of the fiscal year next succeeding the fiscal year for which appropriated.

"(d) For purposes of this section, the term 'State' does not include Puerto Rico, Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Virgin Islands.

"(e) From the appropriation for this part for each fiscal year the Commissioner shall reserve an amount to provide work-study assistance to students who reside in, but who attend eligible institutions outside of, American Samoa or the Trust Territory of the Pacific Islands. The amount so reserved shall be allotted to eligible institutions and shall be available only for the purpose of providing work-study assistance to such students.

"GRANTS FOR WORK-STUDY PROGRAMS

"SEC. 443. The Commissioner is authorized to enter into agreements with eligible institutions (or combinations of such institutions) under which the Commissioner will make grants to such institutions (or combinations of such institutions) to assist in the operation of work-study programs as hereinafter provided.

"CONDITIONS OF AGREEMENTS

"SEC. 444. (a) An agreement entered into pursuant to section 443 shall—

"(1) provide for the operation by the institution of a program for the part time employment of its students in work for the institution itself (except in the case of a proprietary institution of higher education) or work in the public interest for a public or private nonprofit organization under an arrangement between the institution and such organization, and such work—

"(A) will not result in the displacement of employed workers or impair existing contracts for services.

"(B) will be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical region, and proficiency of the employee, and will be paid for at a rate not less than the applicable minimum rate of wages established under section 6(a)(1) of the Fair Labor Standards Act of 1938, or the prevailing rate (as determined by the Secretary of Labor) of wages paid by the employer to other employees doing the same work, whichever is greater, and

"(C) does not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship;

"(2) provide that funds granted an institution of higher education, pursuant to section 443 may be used only to make payments to students participating in work-study programs, except that an institution may use a portion of the sums granted to it to meet administrative expenses in accordance with section 493 of this Act;

"(3) provide that employment under such work-study program shall be furnished only to a student who has been accepted for enrollment as a student on at least a half-time basis or, in the case of a student already enrolled in and attending the institution, is in good standing and in attendance there on at least a half-time basis either as an undergraduate, graduate, or professional student;

"(4) provide that the institution will meet the requirements of section 494 of this Act (relating to maintenance of effort);

"(5) provide that the Federal share of the compensation of students employed in the work-study program in accordance with the agreement will not exceed 80 per centum of such compensation; except that the Federal share may exceed 80 per centum of such compensation if the Commissioner determines, pursuant to regulations adopted and promulgated by him establishing objective criteria for such determinations, that a Federal share in excess of 80 per centum is required in furtherance of the purposes of this part;

"(6) include provisions designed to make employment under such work-study program, or equivalent employment offered or arranged for by the institution, reasonably available (to the extent of available funds) to all eligible students in the institution who are seeking such employment.

"(b) For purposes of paragraph (4) of subsection (a) of this section, in computing average hours of employment of a student over a semester or other term, there shall be excluded any period during which the student is on vacation and any period of nonregular enrollment. Employment under a work-study program during any such period of nonregular enrollment during which classes in which the student is enrolled are in session shall be only to the extent and in accordance with criteria established by or pursuant to regulations of the Commissioner.

"SOURCES OF MATCHING FUNDS; ACADEMIC CREDIT

"SEC. 445. (a) Nothing in this part shall be construed as restricting the source (other than this part) from which the institution may pay its share of the compensation of a student employed under a work-study program covered by an agreement under this part, and such share may be paid to such student in the form of services and equipment (including tuition, room, board, and books) furnished by such institution.

"(b) Nothing in this part shall be construed as restricting an institution from offering a student academic credit for employment under a work-study program covered by an agreement under this part where that institution deems such employment to be related to that student's academic studies, except that such a policy of granting academic credit shall not affect wages, conditions of employment, and criteria for eligibility associated with a work-study program covered by an agreement under this part.

"EQUITABLE DISTRIBUTION OF ASSISTANCE

"SEC. 446. (a) The Commissioner shall establish criteria designed to achieve such distribution of assistance under this part among institutions of higher education within a State as will most effectively carry out the purposes of this Act.

"(b) Sums granted to an eligible institution under this part for any fiscal year which are not needed by that institution to operate work-study programs during the period for which such funds are available shall remain available to the Commissioner for making grants under section 443 to other institutions until the close of the fiscal year next succeeding the fiscal year for which those funds were appropriated.

"JOB CREATION PROGRAM

"SEC. 447. (a) The Commissioner is authorized, in accordance with the provisions of this section, to enter into agreements with eligible institutions under which the Commissioner will make grants to such institutions in order to assist in the payment of the costs to such institutions of establishing a program under which such institutions will, in cooperation with other employers in the localities of such institutions, find and create jobs (other than jobs under work-study programs covered by agreements under this part) for students enrolled at such institutions which are suitable to the scheduling and other needs of such students.

"(b) Agreements entered into under subsection (a) shall provide that the filling or creation of jobs pursuant to programs assisted under such agreements will not result in the displacement of employed workers or impair existing contracts for services.

"(c) Grants under agreements entered into under subsection (a) shall be in such amounts as are determined by the Commissioner to be necessary to reimburse institutions for the costs, as determined under regulations of the Commissioner, of job-placement and job-creation programs under subsection (a), except that such grants to any such institutions for any fiscal year shall not exceed 1 per centum of the estimated wage cost to employers of the jobs created under such program for such year.

"PART D—COOPERATIVE EDUCATION PROGRAM

"APPROPRIATIONS AUTHORIZATION

"SEC. 451. (a) There are authorized to be appropriated $340,000 for the fiscal year ending June 30, 1969, $8,000,000 for the fiscal year ending June 30, 1970, and $10,000,000 for each of the succeeding fiscal years ending prior to September 30, 1980, to enable the Commissioner to make grants pursuant to section 452 to institutions of higher education for the planning, establishment, expansion, or carrying out by such institutions of programs of cooperative education that alternate periods of full-time academic study with periods of full-time public or private employment that will not only afford students the opportunity to earn through employment funds required toward continuing and completing their education but will, so far as practicable, give them work experience related to their academic or occupational objective. Such amounts for the fiscal year ending June 30, 1969, shall also be available for planning and related activities for the purpose of this title.

"(b) There are further authorized to be appropriated $750,000 for the fiscal year ending June 30, 1969, and for each of the succeeding fiscal years ending prior to September 30, 1980, to enable the Commissioner to make training, demonstration or research grants or contracts pursuant to section 453.

"(c) Appropriations under this part shall not be available for the payment of compensation of students for employment by employers under arrangements pursuant to this part.

"GRANTS FOR PROGRAMS OF COOPERATIVE EDUCATION

"SEC. 452. (a) From the sums appropriated pursuant to subsection (a) of section 451, and for the purposes set forth therein, the Commissioner is authorized to make grants to institutions of higher education that have applied therefor in accordance with subsection (b) of this section, in amounts not in excess of $350,000 to any one such institution for any fiscal year, and to combinations of such institutions, in amounts not in excess of $500,000 to any one such institution participating in such a combination for any fiscal year.

"(b) Each application for a grant authorized by subsection (a) of this section shall be filed with the Commissioner at such time or times as he may prescribe and shall—

"(1) set forth programs or activities for which a grant is authorized under this section;

"(2) provide that the applicant will expend during such fiscal year for the purpose of such program or activity not less than was expended for such purpose during the previous fiscal year;

"(3) provide for the making of such reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his functions under this part, and for the keeping of such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports;

"(4) provide for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the applicant under this part; and

"(5) include such other information as the Commissioner may determine necessary to carry out the purposes of this part.

"(c) No institution of higher education may receive grants under this section for more than three fiscal years, "(d) In approving applications under this section, the Commissioner shall give priority to applications from institutions of higher education for programs which show the greatest promise of success because of—

"(1) the extent to which programs in the academic discipline with respect to which the application is made have had a favorable reception in business and industry, and

"(2) the commitment of the institution of higher education to cooperative education as demonstrated by the size and scope of the program, and by the plans which such institution has made to continue the program after the termination of Federal financial assistance.

"GRANTS AND CONTRACTS FOR TRAINING AND RESEARCH

"SEC. 453. From the sums appropriated pursuant to subsection (b) of section 451, the Commissioner is authorized, for the training of persons in the planning, establishments, administration, or coordination of programs of cooperative education, for projects demonstrating or exploring the feasibility or value of innovative methods of cooperative education such as concurrent part-time work and part-time study, or for research into methods of improving, developing, or promoting the use of cooperative education programs in institutions of higher education, to—

"(1) make grants to or contracts with institutions of higher education, or combinations of such institutions, and

"(2) make grants to other public or private nonprofit agencies or organizations, or contracts with public or private agencies or organizations, when such grants or contracts will make an especially significant contribution to attaining the objectives of this section.

"PART E—DIRECT LOANS TO STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

"APPROPRIATIONS AUTHORIZED

"SEC. 461. (a) The Commissioner shall carry out a program of stimulating and assisting in the establishment and maintenance of funds at institutions of higher education for the making of low-interest loans to students in need thereof to pursue their courses of study in such institutions.

"(b) For the purpose of enabling the Commissioner to make contributions to student loan funds established under this part, there are hereby authorized to be appropriated $375,000,000 for the fiscal year ending June 30, 1972, and $400,000,000 for the fiscal year ending June 30, 1973, and for each of the succeeding fiscal years ending prior to July 1, 1975.

"(c) Any sums appropriated pursuant to subsection (b) for any fiscal year shall be available for apportionment pursuant to section 462 and for payments of Federal capital contributions therefrom to institutions of higher education which have agreements with the Commissioner under section 463. Such Federal capital contributions and all contributions from such institutions shall be used for the establishment, expansion, and maintenance of student loan funds.

"(d) There is authorized to be appropriated $75,000,000 for the fiscal year ending June 30, 1976, and for each of the four succeeding fiscal years, solely for the purpose of enabling the Commissioner to reimburse institutions of higher education which have agreements with the Commissioner under section 463 for losses incurred by such institutions with respect to loans under this part because of cancellations under section 465.

"APPORTIONMENT OF APPROPRIATIONS

"SEC. 462. (a) From 90 per centum of the sums appropriated pursuant to section 461 (b) for any fiscal year, the Commissioner shall apportion to each State an amount which bears the same ratio to the amount so appropriated as the number of persons enrolled on a full-time basis in institutions of higher education, as determined by the Commissioner for the most recent year for which satisfactory data are available to him, in such State, bears to the total number of persons so enrolled in all the States. The remainder of the sums so appropriated shall be apportioned among the States by the

Commissioner in accordance with equitable criteria which he shall establish and which shall be designed to achieve a distribution of the sums so appropriated among the States which will most effectively carry out the purpose of this subpart, except that where any State's apportionment under the first sentence for a fiscal year is less than its allotment under section 202 (a) of the National Defense Education Act of 1958 for the fiscal year ending June 30, 1972, before he makes any other apportionments under this sentence, the Commissioner shall apportion sufficient additional sums to such State under this sentence to make the State's apportionment for that year under this paragraph equal to its allotment for the fiscal year ending June 30, 1972, under such section 202 (a). Sums apportioned to a State under the preceding sentence shall be consolidated with, and become a part of, its apportionment from the same appropriation under the first sentence of this paragraph.

"(b) (1) Any institution of higher education desiring to receive payments of Federal capital contributions from the apportionment of the State in which it is located for any fiscal year shall make an agreement under section 463 and shall submit an application therefor to the Commissioner, in accordance with the provisions of this part. The Commissioner shall, from time to time, set dates before which such institutions must file applications under this section.

"(2) The Commissioner shall pay to each applicant under this subsection which has an agreement with him under section 463, from the amount apportioned to the State in which it is located, the amount requested in such application. Such payment may be made in such installments as the Commissioner determines will not result in unnecessary accumulations of capital in the student loan fund of the applicant established under its agreement under section 463.

"(c) (1) (A) If the total amount of Federal capital contributions requested in the applications from a State for any fiscal year exceeds the amount apportioned to that State, the request from each institution shall be reduced ratably.

"(B) In case additional amounts become available for payments to student loan funds in a State in which requests have been ratably reduced under subparagraph (A), such requests shall be increased on the same basis as they were reduced, except that no request shall be increased above the request submitted under subsection (b) (1).

"(2) If the amount of an apportionment to a State for any fiscal year exceeds the total amount of Federal capital contributions requested in applications from that State, such excess shall be available for reapportionment from time to time on such date or dates as the Commissioner shall fix. From the aggregate of such excess for any fiscal year, the Commissioner shall reapportion to each State in which requests were reduced under subparagraph (A) of paragraph (1) an amount which bears the same ratio to such aggregate as the total amount of such reduction in that State bears to the total amount of such reductions in all the States.

"(d) The aggregate of the amounts of Federal capital contributions paid under this section for any fiscal year to proprietary institutions of higher education may not exceed the amount by which the sums appropriated pursuant to section 461 (b) (1) for that fiscal year exceed $190,000,000.

"AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION

"SEC. 463. (a) An agreement with an institution of higher education for the payment of Federal capital contributions under this part shall—

"(1) provide for the establishment and maintenance of a student loan fund for the purposes of this part;

"(2) provide for the deposit in such fund of—

"(A) the Federal capital contributions,

"(B) a capital contribution by such institution in an amount equal to not less than one-ninth of the amount of such Federal contributions,

"(C) collections of principal and interest on student loans made from such fund, "(D) charges collected pursuant to regulations under section 464 (c) (1) (G), and

"(E) any other earnings of the fund;

"(3) provide that such student loan fund shall be used only for—

"(A) loans to students, in accordance with the provisions of this part,

"(B) administrative expenses, as provided in subsection (b),

"(C) capital distributions, as provided in section 466, and

"(D) costs of litigation, and other collection costs agreed to by the Commissioner in connection with the collection of a loan from the fund (and interest thereon) or a charge assessed pursuant to regulations under section 464 (c) (1) (G);

"(4) provide that where a note or written agreement evidencing a loan has been in default for at least 2 years despite due diligence on the part of the institution in making collection thereon, the institution may assign its rights under such note or agreement to the United States, without recompense, and that in that event any sums collected on such a loan shall be deposited in the general fund of the Treasury; and

"(5) include such other provisions as may be necessary to protect the financial interest of the United States and promote the purposes of this part as are agreed to by the Commissioner and the institution.

"(b) An institution which has entered into an agreement under subsection (a) shall be entitled, for each fiscal year during which it makes student loans from a student loan fund established under such agreement, to a payment in lieu of reimbursement for its expenses in administering its student loan program under this part during such year. Such payment shall be made in accordance with section 493.

"(c) Loans to students from a student loan fund assisted under this part shall not be made for any academic year or any portion of any academic year which begins after June 30, 1975.

"TERMS OF LOANS

"SEC. 464. (a) (1) Loans from any student loan fund established pursuant to an agreement under section 463 to any student by any institution shall, subject to such conditions, limitations, and requirements as the Commissioner shall prescribe by regulation, be made on such terms and conditions as the institution may determine.

"(2) The aggregate of the loans for all years made by institutions of higher education from loan funds established pursuant to agreements under this part may not exceed—

"(A) $10,000 in the case of any graduate or professional student (as defined by regulations of the Commissioner, and including any loans from such funds made to such person before he became a graduate or professional student);

"(B) $5,000 in the case of a student who has successfully completed two years of a program of education leading to a bachelor's degree, but who has not completed the work necessary for such a degree (determined under regulations of the Commissioner, and including any loans from such funds made to such person before he became such a student); and

"(C) $2,500 in the case of any other student.

"(3) Regulations of the Commissioner under paragraph (1) shall be designed to prevent the impairment of the capital of student loan funds to the maximum extent practicable and with a view toward the objective of enabling the student to complete his course of study.

"(b) A loan from a student loan fund assisted under this part may be made only to a student who—

"(1) is in need of the amount of the loan to pursue a course of study at such institution;

"(2) is capable, in the opinion of the institution, of maintaining good standing in such course of study;

"(3) has been accepted for enrollment as an undergraduate, graduate, or professional student in such institution, or, in the case of a student already in attendance at such institution, is in good standing; and

"(4) is carrying at least one-half the normal academic workload, as determined by the institution.

In any case in which a student has been determined to be eligible for a loan under the preceding sentence, and such student thereafter fails to maintain good standing, the eligibility of such student shall, upon notice to the Commissioner, be suspended, and further payments to, or on behalf of, such student shall not be made until such student regains good standing.

"(e) (1) Any agreement between an institution and a student for a loan from a student loan fund assisted under this part—

"(A) shall be evidenced by note or other written instrument which, except as provided in paragraph (2), provides for repayment of the principal amount of the loan, together with interest thereon, in equal installments (or, if the borrower so requests, in graduated periodic installments determined in accordance with such schedules as may be approved by the Commissioner) payable quarterly, bimonthly, or monthly, at the option of the institution, over a period beginning nine months after the date on which the student ceases to carry, at an institution of higher education or a comparable institution outside the United States approved for this purpose by the Commissioner, at least one-half the normal full-time academic workload, and ending ten years and nine months after such date;

"(B) shall include provision for acceleration of repayment of the whole, or any part, of such loan, at the option of the borrower;

"(C) may provide, at the option of the institution in accordance with regulations of the Commissioner, that during the repayment period of the loan, payments of principal and interest by the borrower with respect to all outstanding loans made to him from student loan funds assisted under this part shall be at a rate equal to not less than $30 per month;

"(D) shall provide that the loan shall bear interest, on the unpaid balance of the loan, at the rate of 3 per centum per annum, except that no interest shall accrue (i) prior to the beginning date of repayment determined under clause (A) (i) or (ii) during any period in which repayment is suspended by reason of paragraph (2);

"(E) unless the borrower is a minor and the note or other evidence of obligation executed by him would not, under applicable law, create a binding obligation, shall provide that the loan shall be made without security and without endorsement;

“(F) shall provide that no note or evidence of obligation may be assigned by the lender, except upon the transfer of the borrower to another institution participating under this part (or, if not so participating, is eligible to do so and is approved by the Commissioner for such purpose), to such institution; and

“(G) may, pursuant to regulations of the Commissioner, provide for an assessment of a charge with respect to the loan for failure of the borrower (i) to pay all or part of an installment when it is due or (ii) to file timely and satisfactory evidence of an entitlement of the borrower to a deferment of repayment benefit or a cancellation benefit provided under this subpart.

“(2) (A) No repayment of principal of, or interest on, any loan from a student loan fund assisted under this part shall be required during any period in which the borrower—

“(i) is carrying at least one-half the normal full-time academic workload at an institution of higher education or at a comparable institution outside the United States which is approved for this purpose by the Commissioner;

"(ii) is a member of the Armed Forces of the United States;

"(iii) is in service as a volunteer under the Peace Corps Act; or

"(iv) is in service as a volunteer under title VIII of the Economic Opportunity Act of 1964.

The period during which repayment may be deferred by reason of clause (ii), (iii), or (iv) shall not exceed three years.

"(B) Any period during which repayment is deferred under subparagraph (A) shall not be included in computing the ten-year maximum period provided for in clause (A) of paragraph (1).

"(3) The Commissioner is authorized, when good cause is shown, to extend, in accordance with regulations, the ten-year maximum repayment period provided for in clause (A) of paragraph (1) with respect to individual loans.

"(4) The amount of any charge under clause (G) of paragraph (1) shall not exceed—

"(A) in the case of a loan which is repayable in monthly installments, $1 for the first month or part of a month by which such installment or evidence is late and $2 for each such month or part of a month thereafter; and

"(B) in the case of a loan which has a bimonthly or quarterly repayment interval, $3 and $6, respectively, for each such interval or part thereof by which such installment or evidence is late.

The institution may elect to add the amount of any such charge to the principal amount of the loan as of the first day after the day on which such installment or evidence was due, or to make the amount of the charge payable to the institution not later than the due date of the next installment after receipt by the borrower of notice of the assessment of the charge.

"(d) An agreement under this part of payment of Federal capital contributions shall include provisions designed to make loans from the student loan fund established pursuant to such agreement reasonably available (to the extent of the available funds in such fund) to all eligible students in such institutions in need thereof.

"(e) In determining, for purposes of clause (1) of subsection (b) of this section, whether a student who is a veteran (as that term is defined in section 101 (2) of title 38, United States Code) is in need, an institution shall not take into account the income and assets of his parents.

"CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE

"SEC. 465. (a) (1) The per centum specified in paragraph (3) of this subsection of the total amount of any loan made after June 30, 1972, and before 90 days after the enactment of the Student Financial Aid Act of 1975 from a student loan fund assisted under this part shall be canceled for each complete year of service after such date by the borrower under circumstances described in paragraph (2).

"(2) Loans shall be canceled under paragraph (1) for service—

"(A) as a full-time teacher for service in an academic year in a public or other nonprofit private elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965, and which for the purposes of this paragraph and for that year has been determined by the Commissioner (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children (i) described in clause (A), (B), or (C) of section 103(a)(2) (as such section existed before the enactment of the Education Amendments of 1974) of title I of the Elementary and Secondary Education Act of 1965 (using a low income factor of $3,000), or (ii) counted under section 103(c) (as amended by the Education Amendments of 1974) of such title, whichever is appropriate for that year, exceeds 30 per centum of the total enrollment of that school and such determination shall not be made with respect to more than 50 per centum of the total number of schools in the State receiving assistance under such title I;

"(B) as a full-time staff member in a preschool program carried on under section 222(a)(1) of the Economic Opportunity Act of 1964 or under part A of the Headstart-Follow Through Act which is operated for a period which is comparable to a full school year in the locality: *Provided*, That the salary of such staff member is not more than the salary of a comparable employee of the local educational agency, or

"(C) as a full-time teacher of handicapped children in a public or other nonprofit elementary or secondary school system; or

"(D) as a member of the Armed Forces of the United States, for service that qualifies for special pay under section 310 of title 37, United States Code, as an area of hostilities.

For purposes of this paragraph, the term "handicapped children" means children who are mentally retarded, hard of hearing, deaf, speech-impaired, visually handicapped, seriously emotionally disturbed, or other health-impaired children who by reason thereof require special education.

"(3) (A) The per centum of a loan which shall be canceled under paragraph (1) of this subsection is—

"(i) in the case of service described in clause (A), or (C), of paragraph (2), at the rate of 15 per centum for the first or second year of such service, 20 per centum for the third or fourth year of such service, and 30 per centum for the fifth year of such service;

"(ii) in the case of service described in clause (B) of paragraph (2) at the rate of 15 per centum for each year of such service;

"(iii) in the case of service described in clause (D) of paragraph (2), not to exceed a total of 50 per centum of such loan at the rate of 12½ per centum for each year of qualifying service.

"(B) If a portion of a loan is canceled under this subsection for any year, the entire amount of interest on such loan which accrues for such year shall be canceled.

"(C) Nothing in this subsection shall be construed to authorize refunding any repayment of a loan.

"(4) For the purposes of this subsection, the term "year" where applied to service as a teacher means academic year as defined by the Commissioner.

"(b) The Commissioner shall pay to each institution for each fiscal year an amount equal to the aggregate of the amounts of loans from its student loan fund which are canceled pursuant to this section for such year. None of the funds appropriated pursuant to section 461 (b) shall be available for payments pursuant to this subsection.

"DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS

"SEC. 466. Not later than 180 days after the date of enactment of the Student Financial Aid Act of 1975, the balance of any student loan fund established under this part, together with any collections after such date of principal and interest on student loans made from such fund, shall be paid to the institution of higher education which established such fund if such institution of higher education enters into an agreement with the Commissioner under which—

"(a) such balance and such collections shall be used only for making loans to students,

"(b) such institution shall report annually to the Commissioner with respect to the use of such balance and collections, and

"(c) in the event that (1) such institution ceases to be an institution of higher education or (2) such balance or collections are not used for the purposes described in clause (a), such balance and collections shall be paid to the United States.

"PART F—GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE PROGRAMS

"DEFINITIONS

"SEC. 491. (a) For purposes of this title, the term 'State' includes the Trust Territory of the Pacific Islands.

"(b) For the purposes of this title, the terms 'institutions of higher education' and 'eligible institution' mean an educational institution in any State which (1) admits as regular students only those persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, or persons who have attained the age of 18 or older, or is an area vocational school (as defined in Section 108(2)(C) or (D) of the Vocational Education Act of 1963), (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides not less than a six-month program of education or training for which it awards an associate degree, a bachelor's degree, a postgraduate degree, or prepares students for gainful employment in a recognized occupation or profession, (4) is accredited by a nationally recognized accrediting agency or association or, if not so accredited, (A) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance (considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made) that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (B) is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited, and (5), except for purposes of subparts (1) and (2) of part A, has been in existence for at least two years. For the purposes of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which the Commissioner determines to be reliable authority as to the quality of training offered.

"(c) For the purposes of this title, the term 'academic year' shall be defined by the Commissioner by regulations.

"ELIGIBILITY OF RESIDENTS OF TRUST TERRITORY OF PACIFIC ISLANDS

"SEC. 492. Permanent residents of the Trust Territory of the Pacific Islands shall be eligible for assistance under title II of the National Defense Education Act of 1958 and under this title to the same extent that citizens of the United States are eligible for such assistance.

"EXPENSES OF ADMINISTRATION

"SEC. 493. (a) An institution which has entered into an agreement with the Commissioner under part A or C of this title shall be entitled for each fiscal year for which it receives an allotment under either such part to a payment in lieu of reimbursement for its expenses during such fiscal year in administering programs assisted under such part. The payment for a fiscal year (1) shall be payable from each such allotment in accordance with regulations of the Commissioner, and (2) shall (except as provided in subsection (b)) be an amount equal to 3 per centum of (A) the institution's expenditures during the fiscal year from its allotment under part A plus (B) its expenditures during such fiscal year under part C for compensation of students.

"(b) The aggregate amount paid to an institution for a fiscal year under this section plus the amount withdrawn from its student loan fund under section 204(b) of the National Defense Education Act of 1958 may not exceed $125,000.

"MAINTENANCE OF EFFORT

"SEC. 494. An agreement between the Commissioner and an institution under part A or part C shall provide assurance that the institution will continue to spend in its own scholarship and student-aid program, from sources other than funds received under such parts, not less than the average expenditures per year made for that purpose during the most recent period of three fiscal years preceding the effective date of the agreement, except that under special and unusual circumstances, pursuant to regulations, the Commission is authorized to waive the application of any provision of such an agreement which is required by this section.

"FURNISHING GUIDELINES

"SEC. 495. In addition to transmissions under section 431(d) of the General Education Provisions Act, copies of all rules, regulations, guidelines, instructions, and application forms published or promulgated pursuant to this title shall be provided to the Committee on Labor and Public Welfare of the Senate and the Committee on Education and Labor of the House of Representatives at least forty-five days prior to their effective date.

"REFUND, DISCLOSURE, AND TUITION REQUIREMENTS

"SEC. 496. (a) Each institution of higher education which receives assistance under this title or enrolls students receiving assistance under this title shall—

"(1) establish a fair and equitable refund policy that provides for the return of unearned tuition and fees to the student receiving assistance under the provisions of parts B, C, and E of this title, or to the Commissioner, in the case of assistance provided under the provisions of part A of this title; and provide each student or prospective student with a written statement of such refund policy prior to each academic year in which the student enrolls at such institution of higher education;

"(2) make a good faith effort to present each prospective student, prior to the time the prospective student is obligated to pay tuition or fees to the institution, with a complete and accurate written statement about the institution including (A) its current educational or training programs, (B) its facilities, (C) its faculty, (D) data regarding the number and percentage of students successfully completing the programs in which the prospective student indicates interest and, (E) in the case of any institution which makes claims regarding employment of its graduates, such institution must include data regarding the employment and earnings of its graduates of the programs in which the prospective student indicates interest;

"(3) furnish each student or prospective student with a written statement of the cost of the programs in which the student is enrolled or in which the prospective student indicates interest, including (A) tuition and fees, (B) equipment and books, (C) room and board provided by the institution, and (D) parking at or near the institution; and

"(4) provide assurances, subject to regulations of the Commissioner, that the availability of assistance to students at the institution under this title has not resulted, and will not result, in an increase in the tuition, fees, or other charges to such students, and the Commissioner shall make no payment of assistance under this title to any such institution which does not meet the requirements of clauses (1) through (4).

"(b) Assistance under this title shall not be used in any educational program which is primarily conducted by correspondence, except that a student who by reason of physical handicap or geographical distance is unable to participate in a residence program may, subject to regulations of the Commissioner, be eligible for a loan under part B if enrolled in a program of correspondence study.

"AFFIDAVIT OF EDUCATIONAL PURPOSE REQUIRED

"SEC. 497. (a) Notwithstanding any other provision of law, no grant, loan, or loan guarantee authorized under this title may be made unless the student to whom the grant, loan, or loan guarantee is made has filed with the institution of higher education which he intends to attend, or is attending (or in the case of a loan or loan guarantee with the lender), an affidavit stating that the money attributable to such grant, loan, or loan guarantee will be used solely for expenses related to attendance or continued attendance at such institution, and that the total amount of student financial assistance so provided shall not exceed the total cost of attendance at such institution.

"(b) Nothing in this section shall be construed to invalidate any loan guarantee made under this title.

"NONDISCRIMINATION

"SEC. 498. No person shall, on the basis of race, color, national origin, sex, or age, be excluded from or admitted to participation in, denied or provided the benefits of, or be subjected to discrimination in any program authorized under this title.".

REPEALER

SEC. 3. The Emergency Insured Student Loan Act of 1969 is repealed.

EXPERIMENTAL PROGRAM

SEC. 4. (a) Section 405 of the General Education Provisions Act is amended by adding at the end thereof the following new subsection:

"(e) (1) There are hereby authorized to be appropriated, in addition to the sums authorized to be appropriated under subsection (h), not to exceed $50,000,000, to remain available until expended for purposes of enabling the Director to enter into arrangements with institutions of postsecondary education and with State and local postsecondary education agencies for experimental and demonstration projects under this subsection.

"(2) The Director shall enter into arrangements under this subsection for carrying out projects which shall test, in connection with postsecondary education, the effect upon student access and choice and upon institutional viability of the following:

"(A) open admission policies in which no fixed level of educational attainment at the secondary level shall be required for admission to a postsecondary institution;

"(B) programs of tuition reduction or tuition abolition; and

"(C) the use, under contract, of private or proprietary institutions to provide educational services to students, as an alternative to expanding the enrollment of students at public institutions."

(3) The Director shall enter into contracts with private, nonprofit agencies to study the feasibility of, to develop and to test, techniques of measurement of scholastic aptitude, academic promise, or likelihood of success in a given course of study which are free of cultural, socio-economic, racial, religious, sexual, and ethnic bias.

(b) Section 431(f) of the General Education Provisions Act is amended by inserting immediately after "of this section," the following: "criteria for the selection of agencies or institutions under section 405(e) of this title, and".

Mr. O'Hara. In a larger sense, we also have before us the existing text of the law and, even beyond that, the whole body of proposals which have been made here and elsewhere to improve the ability of students to get through the college gates.

No witness is here today under a strict injunction to address himself only to a specific proposal. We will not be operating under strict rules of evidence. Each witness will be his own judge of what is germane to our joint purpose. I think it might help to get these hearings off to the right start if I make one other statement about a subject that I know was on all our minds.

There are some differences of opinion about the provisions of H.R. 3471. I would be amazed if there were not differences of opinion about any bill brought before us to assist in the postsecondary education of our people. That is a vitally important subject and it deserves strongly held and divergent opinions. These hearings are being held to elicit those differences of opinion and to test the conclusions each of us has reached or they are a total waste of time. So the prospect that there will be differences of opinion between the subcommittee and the witnesses or among the witnesses themselves or among the members of the subcommittee seems to me to be a healthy sign. But some witnesses have conveyed to me their reservations about appearing. They suggested they are reluctant to appear before the Chair in the posture of critics of the bill because they are not anxious to have a confrontation with the chairman of the committee.

Confrontations are only possible where there are enemies and, as I look at the witness list today, and the entire list of those who have been invited to appear or submit written statements, I see only the names of friends, friends of education, friends of the students, and therefore friends of the subcommittee and the chairman.

From time to time, during the long and difficult road that stretches from here to the statute books, we will each meet, one to the other, as allies and adversaries, but there is no prospect in this undertaking for any enemies.

I recognize the ranking minority member of the subcommittee, the distinguished gentleman from Pennsylvania, Mr. Eshelman.

Mr. Eshleman. Mr. Chairman and members of the committee, this is my first day in attendance on this subcommittee as its ranking member, and I literally look forward to us hammering out a better piece of legislation. The chairman has preceded me by 2 years on this committee, but I know his reputation has also preceded him and he is highly competent and he is highly fair to the minority, and I would say that, Jim, we are going to disagree from time to time, but we are going to disagree agreeably and hopefully we will hammer out a piece of legislation.

I was glad to hear the chairman say what he said concerning disagreement, because I must say that the initial feedback that I have received on H.R. 3471 is quite mixed, from praise for a few of the proposals, to downright shock at others. And I would hope that we would have witnesses who will not be reticent to express criticism. And I was pleased to hear the chairman say that they are welcome to do so.

I would like to get in the record four questions which I think most every witness who testifies this week or next; I would hope they would respond.

At which level do we ultimately desire the primary decision making for student assistance; the institution itself, State agencies, or the U.S. Office of Education, rather than the hodgepodge that we now have?

No. 2, should we use Federal student assistance programs as a leverage on institutions to lower their costs to students?

No. 3, is it time for a complete overhaul and consolidation of the several Federal student loan programs into a more unified federally initiated program?

And, No. 4, is a little lengthy, since many private colleges are actually subsidizing when they have been accepted as a public responsibility, to provide equal educational opportunities for all citizens; should not some of the title IV programs be developed to assist students who are faced with paying a much higher portion of the actual instructional cost of attending these independent colleges?

Thank you, Mr. Chairman.

Mr. O'Hara. Thank you very much, Mr. Eshleman.

The Chair will yield to the gentleman from Minnesota.

Mr. Quie. I just want to take a moment to compliment you, Mr. Chairman, on raising the question of differences of opinion. Through the years that I have been on this committee, I think I have learned more through differences of opinion than I have with people with whom I agree, because when you agree you tend then to assume the other one knows something that he probably did not necessarily know, but in a disagreement you learn something that never dawned on you before. And I know I have had this experience with you, Mr. Chairman, many times, that we have disagreed and, I know from our experiences, both of us have changed our positions because of that. We saw the other person had some logic that he had never thought of before. It revised one's own thinking and has resulted in better draft legislation.

My experience with you, Mr. Chairman, has been that where we have sometimes started out pretty far apart on legislation, we have ended up together through the years. I think better legislation was drafted than if either you or I had put forward just our own view.

So I compliment anybody here who will come and disagree with the chairman or with me, or Mr. Eshleman, or anyone else, because in that exchange I think we will draft better legislation.

Mr. O'Hara. Thank you very much.

The gentleman from Minnesota has correctly stated the fact. He has certainly helped my learning process on a number of occasions.

So, then, without further ado ——

Mr. Brademas. Mr. Chairman, I would just like to say that, as a member of this subcommittee, I guess in my 17th year now, how much I really look forward to serving under Mr. O'Hara and Mr. Eshleman, Mr. Quie, and the other members of the subcommittee.

Mr. Biaggi. I would like to comment that, in light of that revelation, after 17 years on the subcommittee, I realize now why you advocated the Older Americans Act this afternoon.

[Laughter.]

Mr. BRADEMAS. Mr. Chairman, I decline to yield further.

[Laughter.]

Mr. O'HARA. I thank my friend from Indiana. He and I came to Congress together. He has reminded me how long ago it was since then, and he is going to make me proceed more quickly with this bill while there is still time.

I would now like to call as our first witness of today's hearing—it seems only appropriate for a bill designed to benefit students—a spokesman for the student community, Kathy Kelly, who is accompanied by John Berlet. They are appearing on behalf of the National Student Association, of which Ms. Kelly is president.

STATEMENT OF KATHY KELLY, PRESIDENT, NATIONAL STUDENT ASSOCIATION, ACCOMPANIED BY CHIP BERLET, EDITOR, NSA MAGAZINE

Ms. KELLY. Thank you, Mr. Chairman. We would like to thank the committee for inviting the National Student Association to testify on H.R. 3471 today and we welcome the opportunity to join in what we hope will be a spirited and constructive debate. We would ask permission to append to our testimony a sampling of student concerns in this area at a later date.

Mr. O'HARA. Without objection, so ordered.

Ms. KELLY. H.R. 3471 is the first piece of legislation in many years which attempts to provide a coherent Federal postsecondary funding policy. The present programs, as administered, are counterproductive and based on a Neanderthal concept of postsecondary Darwinism which sees education as a means to enrich the individual rather than society as a whole.

The National Student Association Congress in 1965 passed a resolution calling for free public higher education and that will remain our goal until it is accomplished. We endorse wholeheartedly the low and no tuition principles on which this bill is based.

We do have three major criticisms of the implementation of these principles as outlined in H.R. 3471. We believe the ceiling should be raised on basic opportunity grants and that the program should be funded to a higher level. We do not feel the supplemental educational opportunity grants program should be aimed at already gifted students at the risk of denying access to students with exceptional financial need, especially minorities; and we do not think the guaranteed student loan program as outlined is what we are looking for.

We are concerned with the impact of H.R. 3471 on minorities low-income families and women, but we disagree strongly with the contention voiced recently here in Washington that the concept of low or zero tuition is elitist and detrimental to minority students. Apparently some people feel it would be better to have 20 minority students at Harvard rather than 200 minority students at the City University of New York. We agree there should be equal educational opportunity but access must be our primary concern. This is why we support the use of the BOG program to create low-cost educational opportunity and agree that this is a legitimate use of Federal prerogative.

The deletion of an assets eligibility barrier will help many financially troubled middle-income families, especially those with farms and we support both this and the dropping of the half-cost limitation which has penalized those students attending low-cost institutions. But do not hedge your bets with an unrealistic maximum grant ceiling. The BOG program needs to be doubled, not halved. We call for a maximum grant ceiling of $1,600, with a cost-of-living escalator clause. A time of national financial hardship is a time to increase spending on education because it is one investment which has incalculable returns in the future.

Mr. BERLET. The supplemental educational opportunity grant program presently is an important component in the financial aid package for low-income students, especially minorities who are the hardest hit during a recession. We feel the present SEOG program should be expanded. To shift this important program to a merit philosophy, we feel is unwise and unnecessary. Recent trends indicate that colleges and universities are competing vigorously to snare students with high SAT scores and national merit scholarship awards. I was a national merit finalist from an upper income family and was offered scholarships from several colleges; the money is already there for the academically proficient.

Last year, this committee asked us if we would support an incentive program to increase the individual State commitment to funding higher education. We said we would, and we now offer our endorsement of the State incentive grants section of H.R. 3471. The flexibility of the program appeals to us and we feel it is an important component in a system of encouraging low-tuition institutions. The real struggle for the financing of higher education goes on yearly in every State capital. State legislators are partial to matching Federal funds which have relatively few strings attached, and they will be happy to see that for once the Federal Government is using the carrot rather than the stick.

The trio program should indeed be expanded but adequate provisions for special program staff to serve the special needs of veterans should be included. The veterans cost of instruction grants have never really served their original purpose, so we shall not shed crocodile tears. However, we feel compelled to add that the real problem with veterans education lies in the callousness and gross incompetence of the Veterans' Administration both in terms of amount and delivery of financial assistance, and in their failure to provide desperately needed psychological and career counseling to Vietnam veterans.

Cost of instruction institutional aid will undoubtedly find its way back into legislation and we will support it there.

Ms. KELLY. Loans should be used to provide liquidity for family income and not as a means of access, and since we feel this is the intent of your proposal for the guaranteed student loans program, we support the intent. As for the specifics, we have some misgivings.

We are skeptical of a bank's willingness to lend money to lower income students, minorities, and women. Academic institutions will more likely be sensitive to individual needs rather than actuarial risk. This will be extremely important if you phase out the NDSL program. A major factor in the present default rate is those people who are willing to repay their loans but who are unable to meet their repayment schedule because of the present economic climate. They default because they can see no other solution and the banks offer them no alternatives. It is the banking industry which benefits under the present default scandal because they do not care if they collect from the individual or the Government, as long as they collect.

The National Student Association calls for a suspension of loan repayments for those people who are unemployed, and an extension of the repayment period with smaller amounts due for those people who are underemployed.

The Carnegie Council on Policy Studies has some interesting proposals for a loan program and they deserve study.

Work study is an important part of H.R. 3471 and deserves the increased funding level suggested. The removal of need as an eligibility requirement is long past due and we also commend the codicil forbidding the payment of subminimum wages under the program. It is heartening to find someone in Congress who recognizes that students are not an unlimited supply of slave labor. Curricular-related work would be nice but is an elitist frill and we are happy to find no provision for it in H.R. 3471. We would like to find the continuance and expansion of the university/community service program since it helps break down the walls of the Ivory Tower. Cooperative education can be an important program on certain campuses and its funding should be increased.

We are pleased that this bill would put an end to the quibbling over the eligibility of open admissions and innovative programs for Federal assistance. These are important concepts and need to be encouraged. If some academics return to their private clubs and cry in their sherry over this prospect, we offer no condolences.

Especially gratifying is the inclusion of educational consumer protection in H.R. 3471 in the form of requiring clear tuition refund policies and accurate advertising claims. These are measures the National Student Association has been promoting for almost 30 years.

The $50 million set aside for controlled experiments on the impact of low tuition, open admissions, and the prospect of public utilization of private institutions is money well spent. We would ask that some of this money be channeled into student-controlled research and that this be stipulated in the bill.

We hope that you can see in our criticisms the underlying support for what you are attempting. Our organization has long stood for extending for another 4 years the concept of public financing of education. We see in H.R. 3471 a shift in Federal policy toward this goal. We are convinced that some day our successors in the National Student Association will be called to testify before your successors on this committee on the merits of a bill that will provide postsecondary education as a right to every American regardless of age, race, sex, or economic circumstance.

We congratulate you for having begun this process.

Mr. Berlet. And thank you for having us appear before this committee.

Mr. O'Hara. Thank you very much for your fine testimony.

With respect to the BOG grants, I would like to clarify one point: The bill H.R. 3471 puts a ceiling on the maximum BOG grant at whatever level the maximum grant works out to be in the year before this bill takes effect, so that no one will get a reduction in a BOG grant.

Now, that figure keeps changing, the estimate keeps changing, as you know, so it is difficult to nail down any specific figure and say it is really putting this or that ceiling on the BOG grant. The latest estimate I have gotten from OE suggests that the ceiling on the BOG grant next year will be $1,050, something in that neighborhood, the maximum grant, which is fairly close although certainly not comparable to the $1,400 maximum grant under the existing law which, as you know, has never been attained.

You know, what keeps the estimate going up for next year is that each year they overestimate the number of eligibles and underspend and then they come back and ask to carry over the money. So at no time has the appropriation alone been sufficient to bring them up to anything close to $1,050, but if they were to get the opportunity to carry over, and carry over, it could work its way up that high for next year. But there is some question about whether they will. I guess if they got the full carryover they might get up to the full $1,400, if they got the full carryover, and if the figures are correct, of course.

In any event, that is the reason I used that sort of a ceiling, saying whatever it is the year before H.R. 3471 goes into operation, that is what it will be from now on. So, you see, we would be in a full funding situation and all of the things that happen when you have full funding under the BOG program start happening, which is you allot the full amounts, and if you underestimate you came back and get a supplemental, you know. It becomes sort of like a formula program rather than the way it works now, which is far different from that. So maybe it will be $1,400 next year, I don't know.[1]

I yield to the gentleman from Pennsylvania.

Mr. Eshleman. I would like to ask the witness one question. Who would you like to see make most of the decisions, have the primary decisionmaking power and administer the student loan program, in whatever form it ends up? Who would you like to see administer it, the Federal Government, the State government, or the institution itself, or would you like it to remain a hodgepodge between the three, which it now is?

Mr. Berlet. Getting the best of all possible worlds, we would like to see students administer the program but, beyond that, its a tough question. We would like to see more emphasis on the local individual campus, with more overview at the State level. I think the controls at the Federal level have gotten out of hand, the Federal administrators really can't cope with the problems that are engendered with having to deal with so many separate ——

---

[1] Subsequently to this hearing, the Office of Education announced a 1975–76 BOG payment schedule with a $1,400 maximum grant.

Mr. **Eshleman**. I hope I am not asking leading questions. I don't mean it that way. In other words, you are saying—and I don't mean this facetiously—you would like the Federal money but not necessarily so much Federal control? You know, I can agree with you on this. I can agree with you. I don't want to call it revenue sharing, but let's give it another name, but I can agree with you on this.

Mr. **Berlet**. Perhaps what we are thinking of is more of a decentralization, and if you want to look at it from another position, that is fine. But it appears that the Federal Government has not been able to really get the information out on these programs, much less administer them properly, and this would really be a good area for the States to take over some of the overview and some of the information dissemination; and for institutions perhaps to take a larger control of the actual dissemination of the grants, because it is the individual institution which best knows what the individual student needs.

Mr. **Eshleman**. Thank you.

Mr. **O'Hara**. The gentleman from Indiana.

Mr. **Brademas**. I have no questions at this time, Mr. Chairman.

Mr. **O'Hara**. The gentlewoman from New York.

Ms. **Chisholm**. Thank you, Mr Chairman. I just have one question. On page 3, where your statement reads, "Loans should be used to provide liquidity for family income and not as a means of access, and since we feel this is the intent of your proposal for the guaranteed student loans program we support the intent. As for the specifics, we have some misgivings."

Could you enlighten me just a little bit?

Mr. **Berlet**. Well, our major concern is that we basically don't trust banks. The National Student Association has area conferences all over the country, and college students come to attend workshops. The students always come to us and say, "Well, I went to seven banks and the only bank that would give me a loan is the one where my father had his money, and they did it as a favor," or they tell stories like they "went from bank to bank and just were refused the money."

The problem of the default rate, we feel quite honestly, is that many times banks are squeezing people into default, this is the problem. I don't think students are trying to rip off the program so much as they just don't understand, they didn't understand the loan when it was made, they didn't understand the provisions for repayment, and when they are faced with this repayment, they are faced with a mountain of debt and they panic and, frankly, as we said, the banks don't care where they get their money from, and the Government tends to become a bottomless pit when it comes to that. This is the problem we see with students and banks.

And as for our position on liquidity, we have always felt that the Federal student aid program should be designed to provide access through grants. Low-income families shouldn't be forced to borrow themselves into indentured servitude to the Government forever and ever to get their children through school. This is especially a problem for low-income families, minorities, and women. So we feel that grants should provide access, and loans should provide the liquidity in family finances for odds and ends and cash crises.

Ms. Kelly. I think there is also a problem with discrimination in the banking industry and on the campus level, even in the financial aid office at a campus. I have encountered this problem time and time again, where minorities and women have troubles even dealing with the financial aid office on campus, much less with the bank, and I still think that is a continuing problem with higher education and it will be for some time.

Ms. Chisholm. No further questions.

Mr. O'Hara. The gentleman from New York.

Mr. Biaggi. Yes. On page 2, the second paragraph, you stated "I was a national merit finalist from an upper income family" and then you go on and say "the money is already there for the academically proficient." Is that a matter of fact as a general policy?

Mr. Berlet. I can't quote you any statistics right now. I am not prepared to do that. I wish I had them.

Mr. Biaggi. Can you make a statement?

Mr. Berlet. The "Chronicle of Higher Education" last week ran an article saying there is a whole new trend of academically proficient students being fought over by colleges and institutions of all sorts, and the National Merit Scholarship Awards alone has hundreds and hundreds of different groups offering money. Individual campuses are always willing, we feel, or usually willing, to provide scholarship money for the academically gifted, and our real feeling here isn't that merit-based grants isn't a nice program, it is a nice program, but the real problem is money being taken out of a current program specifically targeted for those people with the most intense financial need, which in general are minority people and very low income white families who need this money just to get into school at all.

Mr. Biaggi. Let's stay with that. Isn't it a fact that the institutions conceivably fight for the more proficient student but they don't provide for their income, and many of those students are with little income, who require assistance, they come from that type of family where to provide college education is a financial burden? They fight for the proficient student but they do not provide for the tuition costs, that is the difference. I agree they will compete, and that is why—and that statement, when you say that the money is already there, I am not convinced that it is. As a matter of fact, I would say to the contrary, it is not, and I would like to see that this bill provides for those families that would like to have their children go to school, whether they are superior students or not, at least be given the opportunity to have the tuition be provided, that's all.

Mr. Berlet. And there are a couple of possibilities you could work with, without working to the detriment of minorities and low-income families. You see, there is a trade off here, and we are not happy with the trade off. We would prefer both programs.

Every time the National Student Association has come before this committee, we have asked for doubling and tripling the federal higher education allocation. We are all for that, but that is not realistic. And given the trade off between the academically proficient and the lowest income people who are presently getting the funds, we do not think the shift to merit is a good trade off. You might come up with a program that might perhaps broaden eligibility or raise the level of grants for the academically proficient under the BOG program, I can toss that idea out, if you wish, but it would tend to be against our philosophy. You might want to make loans more readily available, but that doesn't seem to be a good idea. There should be some formula that could be worked out by which you could reward the academically proficient without penalizing the lowest income groups.

Mr. BIAGGI. Let's not stay with the academically proficient, let's talk in terms of those who have a common intellectual base, irrespective of their income base, but who are desirous of going on to college education. Shouldn't each of them be assisted?

Mr. BERLET. Sure. There is no doubt of that in our testimony.

Mr. BIAGGI. You are not going to assist one group to the exclusion of another. Is that what you are recommending?

Ms. KELLY. Not at all.

Mr. BIAGGI. Somewhere along the line that is the impression I got.

Ms. KELLY. I don't think we intended to leave that impression. One of our main concerns now is that people who are only beginning to appear on campuses in recent years in any significant numbers, minorities, women, especially older women ——

Mr. BIAGGI. Hold still a minute. I will tell you who are appearing as minorities to a great extent in recent years, people of my origin, Italian-American origin, and nowhere along the line has any provision been made for them. How do you classify them? Are they white Anglo-Saxons? Are they minorities? Just what are they?

Mr. BERLET. Are they poor?

Mr. BIAGGI. You're right, they are poor.

Mr. BERLET. Then they deserve the money, and that is what we are saying.

Mr. BIAGGI. That is the first time you have said it. You said minorities and women, that is what you said. Now let's deal with it frontally.

Ms. KELLY. I believe we also mentioned lower income students.

Mr. BIAGGI. What is your stand on that? This is an issue that has to be dealt with. It has to be dealt with. I understand fully at the outset. Now, you said some of them are poor. Some of them may not be as poor as others, should we deny those who are not as abjectly poor as others?

Mr. BERLET. No, and that is why we ask for an increase in the ceiling for basic opportunity grants. It is the middle-income family that is probably being squeezed the hardest right now in terms of the BOG programs eligibility requirements, and that is the major reason we are asking for the changes in the BOG program we have asked for, so that this money is more readily available to people who are in middle income situations. And it is the same reason ——

Mr. BIAGGI. Thank you. You have provided it in the record for me anyway.

Mr. BERLET. Thank you.

Mr. O'HARA. The gentleman from North Carolina.

Mr. Andrews. Just briefly, may I suggest that there may be a discrepancy in what you said, it seems to me. You had in your statement "I am a national merit finalist from an upper income family and was offered scholarships from several colleges, the money is already there for the academically proficient." And I understood you to say, in response to the question as to whether you thought we should continue the commingling authority of the Federal-State and institution and you—do you prefer that be continued, or to which would you shift it—and I understood you to say perhaps that you would prefer the student, but in lieu of that you would say the institution. I wonder if they don't run counter to each other? In the institution, if the institution is to administer the programs as a part of that administration, and a part of that administration is to determine which students shall be the recipients, and for that end which ones will be admitted as students, it could be that in all likelihood that the colleges and universities will continue to strive to maintain their academic excellences, and so forth relative to other institutions, which is determined, we know, in large part upon the SAT scores and national merit scholarships and other scholarship tests of various kinds—in other words, the achievement level of their income is a measure, they are likely, I would think, to want to continue that, and in an effort to do so, if they would, they would continue, I presume to administer these programs in such a way to review, say, to get the academically proficient to the exclusion of the others. So are you not really, when you say you want the institutions to determine elegibility and therefore admission, isnt that the opposite of what you are saying?

Mr. Berlet. No, because when we are talking about the administration of the program, we are talking about categorical programs that already have stipulations. We are not saying the stipulations should be changed. We are just saying the basic administration of the programs is falling apart here in Washington.

Mr. Andrews. She seems to be saying that when she says that at presently the academically proficient, there is plenty of money for them and they should get it, and she is saying that should be changed, so obviously she is advocating some sort of change, whereas you are not.

Ms. Kelly. I think I can clarify with that. I really agree with Chip. I don't think there is any conflict.

Mr. Berlet. We are not saying that the academically proficient don't belong in school, just that when you are given a trade-off of the SEOG program, I just can't see taking the SEOG money and making it a merit based program.

Mr. Andrews. We were handed here a short time ago—and I haven't studied it yet, but it seems that this gives the total enrollment in the institutions of higher education in an ascending number, and, based on my rather limited knowledge, I thought it was quite difficult to get all of the students, all applicants who were deemed to be at least minimally qualified into most of the schools, not all of them, that the numbers game, the limitations of space and so forth were such that not all of them could be accepted and by no means all of them, particularly when you reach the professional levels, the technical, medical, and law and so forth. Only a very small number are accepted into reputably licensed schools. So it seems that somebody somewhere has to exclude a number of students, either the institutions excludes them, which is what I thought you were suggesting, but you seem to be saying otherwise. On what basis were they excluded, where they take only the minority, the women, whatever, and so forth and so on, and leave it up to the institutions to determine if they can take 60 percent, 70 percent, or whatever it is? It depends on how many apply. Then do they decide who to accept on the basis of merit and then worry about the money? In other words, is that not what you are saying when you say that the institutions determine who shall be the recipient? He has got to be admitted before he can be a recipient.

Mr. BERLET. First let me clarify that. When we are talking about the money, and whether or not it is for the academically proficient, we are limiting that to undergraduates. That is an important distinction to make, because that is what our organization represents. Perhaps I should have clarified that.

Mr. ANDREWS. That would make this a little less.

Mr. BERLET. The other thing is we are not talking about anything other than the lowest income people. We have mentioned here that the people who have the greatest financial need for going to college, tends to be minorities and women, but they are all part of that base of low-income people. And if you want to say minorities, women, Italians, Poles ——

Mr. BIAGGI. That's right. That's right. I wish you would get accustomed to include all Americans who fit into that common category.

Mr. BERLET. Are Italians a minority?

Mr. BIAGGI. Yes, they are a minority. We are a nation of minorities. But it is not your concept that they are minorities, and that is the public misconception. We have Poles. Poles are a minority. Irish are a minority. Germans are minorities. This Nation is made up of minorities. Let's address ourselves to them.

Mr. BERLET. Mr. Andrews, I don't know how to explain it other than to say that I think we are uncomfortable with the trade-off, and that was the intent of what we were testifying to. But given the trade-off, we would prefer leaving the SEOG's as they were. We have nothing against the merit system as long as the lowest income families are given the money they need as well as the lowest income students, be they independent students or students returning to school. It is just that, given the trade-off right now, we prefer the SEOG's as they were.

Mr. ANDREWS. I see. Thank you.

Mr. O'HARA. The gentleman from Iowa.

Mr. BLOUIN. I don't think I have any questions at this time, Mr. Chairman.

Mr. O'HARA. Thank you very much for your question. I think that if I can get into that question for a moment of the rationale of a system that provides some full-cost education scholarships, we recognize that the amount of a BOG grant, the amount of grant assistance that you can receive is not really adequate to pay all of the costs of an education. And we recognize, too, that there isn't the kind of money available right now for student aid to fund a program that would provide the full cost of education for every student who has need, and so I thought, well, let's make sure that at least some of those students who have great need are able to pay the full cost of their education, room, board, tuition, books, and everything, with a grant. And I thought, well, the logical way, if you could only do that for some of them and not for all of them, the logical way to decide which ones you would do it for would be those who showed the greatest promise.

Now, I have no great stake in that proposition. Maybe we should do it for none of them until we can do it for all. And my ultimate goal would be free education beyond the high school, but I thought it at least worth the try to provide that kind of assistance for at least some of them who had great need.

I thank you very much for having come before us, and we appreciate it, your taking your time to do so. And I appreciate the spirit with which you addressed the bill, and I appreciate very much your support for the general principles of the bill.

Mr. BERLET. Thank you.

[Materials submitted follow:]

EQUAL EDUCATIONAL OPPORTUNITY: FREE PUBLIC HIGHER EDUCATION

(A resolution adopted by the 18th National Student Congress in 1965, United States National Student Association)

Two hundred years ago with the growing industrial revolution, the movement for free public elementary education was instigated. Technological advances demanded that the general populace be better educated in order to serve the needs of society and in order to take full advantage of the new possibilities provided by man's genius. Seventy years ago as a result of further scientific advances the nation realized the need for a concommitant advance in the education of the people. The increased complexity of society meant that people had to be better prepared to meet the challenges of the new science and society. Elementary education was no longer enough. High school education was made public and free.

In our generation, the world has been advancing at a far faster pace than ever before and thus demands that we extend public education still further. Technological and social revolutions have so computerized and complicated our communities that the direction of them is left only in the hands of the expert. Those who lack the expertise to participate fully in the democratic process and to enjoy the benefits of the affluent society.

In addition to the personal loss an individual suffers through the lack of maximum educational opportunity, the society as a whole suffers a compounded deficiency. Those not given the opportunity to develop fully often become the recipients of society rather than the contributors. All people must have the capacity to aid in the direction of social policies and have the information to criticize and pose alternatives. There is no rational choice in our day but to expand the opportunity for full education to all if society is remain critical, dynamic, and democratic.

The USNSA believes that in order to extend the personal development and freedom of every citizen and to extend the progress of our nation and the world, it is necessary to provide all people with the opportunity to educate themselves to their maximum capabilities. To these ends, USNSA finds it necessary for society to extend to every person the encouragement and the opportunity for post secondary education in a day in which rising world complexities demand ever more personal expertise and knowledge. Through a nationwide system of free public higher education these goals can be furthered. At the same time, USNSA recognizes the value of diversity in a system of higher education and supports the financial assistance of private institutions by all levels of government.

USNSA thus expresses its support for the establishment of free public higher education throughout the United States financed by the local, state, and federal governments, with the purpose of furthering the freedom of the individual and the critical spirit which insures a dynamic and democratic society.

Portrait of the Defaulter as a WIN Warrior or, Feds Crack Down, Students Go Broke and Everyone Asks Why

(By Neil Klotz, College Press Service, January 20, 1975)

As factories close, workers pound the pavement, stock brokers wince and President Ford WINs, students too have played a dour role in the economic passion play: they default their loans.

Last year almost 2500 students filed for bankruptcy, leaving $3 million in state, federal and institutional loans unpaid.

But while student bankruptcies rose, they accounted for only about ten per cent of all loan evasions, according to the US Office of Education (OE). The other 90% were ex-students who for some reason cannot or will not pay.

In an effort to recoup some of their losses, the federal government and other lenders have undertaken a massive crackdown of both student default and its non-student causes.

YOUR CHEATIN' HEART

Last year the newly-reorganized Office of Guaranteed Student Loans in OE hired nearly 100 more loan collectors to dun students for unpaid funds. If a school or bank cannot collect a guaranteed student loan 120 days after a student misses a payment, the federal collectors get on the case, since the government insures both the loan and the interest.

Uncle Sam is not a stranger to bill collecting and the results of his latest collection effort were gratifying. During the last six months of 1974 twice the amount of bad debts were collected as during the first six months.

Taking a cue from OE, many institutions have begun to employ collection agencies to catch student skips.

At the University of Wisconsin, Madison, where collection agencies were used for the first time last year, one official commented: "We expect some adverse publicity from this (hiring collectors). But we just can't tolerate anyone not paying us because they think we can't do anything about it."

In an attempt to curtail student bankruptcies, the University of Southern California (USC) has instituted a controversial policy.

With the economy the way it is, many students don't mind becoming bad credit risks—about the only stigma bankruptcy carries. Now if a student defaults a loan to USC, the school closes his school records and bars readmission until the loan is repaid.

Many loan officers have hit upon another way to deal with defaulters: don't give them loans in the first place. Rigorous application procedures have begun to shut out many who are considered bad risks. According to a new OE report, these chronic bad debts are usually poor, black males or older married students.

Parents who underreport their income to obtain loans for their children have been another target. Under pressure from participating schools, the College Scholarship Service (CSS), which administers parents' confidential statements, began to demand income tax forms from a random sample of more than a million families. Under further pressure, the CSS recently agreed to quadruple the number of spot checks it does.

And for the first time, another bad actor in the default story began to receive heat from OE: the schools themselves.

For the past several years, many fly-by-night proprietary schools have inadequately explained to students the liabilities involved in federal loans or have folded leaving students with an incomplete education, a huge loan debt and a determination not to pay for goods not received.

Under new proposed regulations for the guaranteed student loan, all schools would be required to adequately explain loan provisions, to determine whether a student might reasonably profit from a course of instruction before he enrolls (for instance, no more blind people bilked into air traffic controller's school) and to establish suitable refund policies for student withdrawals as well as school closures.

THE "HOW MANY?" HULLABALOO

But while the government has been slashing right and left at defaults, it still can't agree within itself about how much default is going on or about what an acceptable default rate might be.

Last month, for instance, the General Accounting Office (GAO) and OE faced a showdown at creditability gap. GAO had predicted that guaranteed student loan defaults would reach 24.3% by this July while OE had predicted only 18.5%.

In an "I'm OK, You're OK" briefing, OE explained that GAO's figures described the default rate potential, while OE had calculated the rate assuming the government would not permit defaults to reach their potential.

Under its new "Loan Estimation Model," developed at a cost of $180,000, OE said it would be better able to estimate how much money would be necessary to pay off defaults for years to come.

Oddly enough the model did not include such "external circumstances" as inflation or unemployment, which OE admitted were more important to the pattern of defaults than any characteristic their model did analyze.

STUDENTS DISCOVER BANKRUPTCY PLOY

(College Press Service, February 14, 1975)

Faced with a deflated bank account, few job prospects and heavy school debts?

Don't bother with small loans to regain solvency, go for the big time: declare bankruptcy. Because of a quirk in our economic system, bankruptcy is the legal means of reestablishing good credit and starting fresh financially.

An increasing number of students and graduate students have turned to bankruptcy as a way of resolving personnel debts, according to legal sources. With inflation and the high cost of living, many graduate students have started their professional careers with debts up to $30,000 and have seen no feasible or honest way to pay up.

"Students don't take bankruptcy lightly," said Beth Karren, the legal advisor at the University of California at Berkeley. "There's a real moral stigma attached to it and they usually come in quite a few times before they decide to go ahead with the proceedings."

There is also a financial stigma. Stereos, radios, sports equipment, furniture and other material goods are all taken away when bankruptcy is declared. Bankrupt students can usually wave bye-bye to credit cards and loans for the next several years. Proven to be unreliable, they also face possible discrimination by future employers.

Yet bankruptcies are so easy to obtain that students, for the most part, represent themselves in court. In fact, all students have to do is convince the judge that their liabilities outweigh their assets, list any property and name their creditors and amounts owed. The process usually lasts about half an hour.

The cumulative effect of student bankruptcies, however, have been severe. The University of California at Berkeley absorbed $303,364 in uncollected student loans last year; this year, across the country, students will default on 1500 federally insured loans. The debt approached half a billion dollars and has threatened the existence of the federal student loan program.

This program, which has been in effect since 1966, has distributed $7 billion to over 4 million students. It has been predicted that 24% of the outstanding loans will never be repaid. The 1975 fiscal budget originally estimated that the student loan loss would hit $134 million but the figures has since been revised to $245 million.

As of now, anyone may file for bankruptcy and there is no minimum or maximum debt limit. The cost for petition is $50 and it is not necessary to obtain legal counsel.

Bankruptcies are handled only by federal courts but property exemptions are determined by state law. The normal exemptions—property that a person can hang on to after declaring bankruptcy—include clothing, a percentage of wages, basic unpretentious transportation and occupational tools.

The ease with which student borrowers obtain bankruptcies has prompted two California congressmen to sponsor a bill which would exempt student federal loans from bankruptcy laws.

In the meantime, bankrupt students have one good thing going: some banks consider academic bankrupts a good credit risk because of students' potential earning power and because federal law prohibits them from filing bankruptcy again for six years.

HEY BUDDY CAN YOU SPARE A MILLION?

(By John Kober, College Press Service, March 7, 1975)

Looking for a few spare million dollars to help your education along?

The Office of Education (OE) has some—approximately $135 million—but chances are good you can't get any of the money, or at least not this year.

The funds represent unclaimed Basic Educational Opportunity Grants (BEOG's) from a total federal appropriation of $445 million for the academic year.

BEOG's were first awarded only to first year students in the '73–'74 academic year, but will be available to all financially eligible undergraduates except seniors next year.

BEOG's are a type of grant given directly to needy students and classified as an "entitlement": if you and your family meet certain income tests applied by the government all you have to do to receive your money is apply.

Therein lies the catch. Students aren't applying for the money, or at least those who are eligible for the money aren't.

This year's surplus resulted when only about 50% of the nation's eligible students claimed their BEOG's. The OE had expected 62% of the eligible students to apply.

Last year's grant fund was also under-utilized, as fewer than 50% of the eligible students applied, leaving a surplus of $45 million.

That money was attached onto this year's BEOG appropriation amidst a flurry of criticism that OE officials had mismanaged the program by underestimating the dollar grant amount and overestimating the number of applicants.

While critics believe the OE will similarly request that this year's $135 million surplus be added to next year's budget request of $660 million, they also expect that once again the move will spark protest from a financially-pressed Congress.

In backing up its claims for $660 million, the OE had predicted a BEOG utilization rate of 68% for next year, a figure certain now to be challenged.

Supporters of BEOG's have pointed out that the direct grants are a new program, and will attract increasing numbers of students as information programs through post offices, libraries, secondary and postsecondary schools are developed and perfected.

The program was originally designed to channel federal higher education assistance directly to individual students, allowing them to choose the type of education best suited to their needs. The income standards applied to the eligibility tests targeted the grant money to low income and minority students.

Critics of the Basic Grants program have contended that the budgeting shift away from generalized institutional aid has actually resulted in fewer students benefiting from the federal education dollar.

They have said that the multimillion dollar surplus is just one example of how the grant program has gone wrong.

Some educators have claimed that Congress' chronic underfunding of the program has resulted in grant amounts hardly worth applying for. Last year grants averaged $260 and this year, while grants are expected to average $776, some have fallen as low as $50.

If the Basic Grants program were ever fully funded, eligible students who applied would be entitled to receive up to $1400 per year, less what the government calculates to be an appropriate family contribution.

Others have claimed that the grant application process is excessively complicated and underpublicized.

As a final injury some critics have contended that the shift away from federal institutional aid has contributed to rising tuition and that grant amounts don't take this additional expense into account. The net result has been one more roadblock on the path to equal access to higher education, especially for students who never found out about BEOG's.

CARNEGIE COUNCIL MAKES FUNDING RECOMMENDATIONS

(By Curt Koehler, College Press Service, March 21, 1975)

Calling for a restructuring of federal support for higher education, the prestigious Carnegie Council on Policy Studies in Higher Education on March 6 issued proposals designed to balance educational opportunities nationwide and reduce the "tuition gap" between public and private schools.

The panel recommended the establishment of direct "Tuition Equalization Grants" of about $750 for students attending private schools and a "National Student Loan Bank" to replace and consolidate current loan programs.

The Council also called for substantial federal support for large research libraries, for new graduate fellowship programs and for an expanded Basic Educational Opportunity Grant program.

If adopted, the plan would increase federal expenditures for higher education from $9.6 billion to $11.7 billion by 1979–80, an increase in the percentage of the Gross National Product spent on higher education from .64% to only .66%.

The Council was established in January 1974 as a successor to the Carnegie Commission on Higher Education.

In line with the earlier Commission's recommendations, the Carnegie Council proposed that most federal education dollars be targeted for individual students rather than for particular colleges and universities.

"We believe," the Council stated, "that such a program would be preferable to expansion of direct state institutional aid to private institutions because it would involve minimal interference with private colleges and universities and would enhance the principle of student choice."

The Tuition Equalizer Grants would be given to all students attending private schools regardless of need and would represent approximately one-half of the average subsidy of public school students.

The Council cited the difference between public and private tuition as "the primary reason why enrollments have been sagging in private colleges and universities in recent years."

These grants, according to the Council, would be funded by matching monies provided by individual states and the federal government.

Some critics have pointed out that Tuition Equalizer Grants, first proposed by a National Council of Independent Colleges and Universities task force in January, stand in apparent contradiction to earlier recommendations by the Carnegie Commission and the Committee on Economic Development that public schools raise their tuitions to close the tuition gap.

Those recommendations were hotly criticized by proponents of free or low-cost higher education who argued that raising tuition would limit access to the wealthy and those eligible for extensive scholarship support. (Emphasis Added.)

The Council said its second major proposal, a National Student Loan Bank, was needed because current programs "now border on some potential disasters." The panel charged that high default rates, inaccessibility to low-income students, inequities in loan interest rates and numerous administrative problems stand in the way of expanded access to higher education.

Under the proposed loan program, students could borrow up to $2500 per year for total loans not to exceed $6000 for undergraduates and $10,000 for graduate students.

In a move designed to reduce repayment pressures on students right after graduation, when earning potential is smallest, the Council recommended starting repayments at a rate of .75% of a student's yearly income for each $1000 borrowed, with repayments to extend over a period of time averaging 20 years.

The panel further proposed that the Internal Revenue Service should undertake all collections.

For its third major new program, the Council recommended an appropriation of $10 million to aid large research libraries. The education panel termed these libraries "a national asset" which state governments have been unwilling to finance.

Despite current poor job prospects for those with advanced degrees, the Council predicted "the long-range trend is clearly toward a continuing increase in the relative proportion of highly trained doctorates required by our economy." The panel called for the consolidation of current specialized federal doctoral fellowships into three new fellowship programs, two of which would be based on merit.

The Council also recommended that the Basic Grants program be expanded to cover up to $1600 of a student's noninstructional costs rather than the 50% of a student's total costs—up to $1400—covered under present legislation.

The panel argued that placing a dollar rather than a percentage limit on the grant program would eliminate inequities for low-income students whose only options are to attend nearby low-cost public colleges and for students who live in states where tuition is relatively high.

In addition, the Council recommended increasing appropriations for work-study and cooperative education programs, plus rechanneling veteran's educational benefits to other federal higher education programs as the number of enrolled Vietnam veterans declines.

In calling for these additional educational expenditures, the policy group urged the federal government "not to permit urgent economic problems to obscure the importance of advancing the basic human resources that can be applied to their solution."

The Carnegie Council further called for special attention to projects designed to increase the enrollment of students from minority groups and low-income brackets and pointed to "the alarming recent cessation, and even reversal, of progress toward equality of opportunity after very substantial, even dramatic gains" in such enrollment over recent years.

TUITION PROGNOSIS: THE SKY'S THE LIMIT

(College Press Service, March 3, 1975)

Tuition cost hikes of 5 to 10% have been predicted by most college institutions for next year.

The highest across-the-board increases for tuition, room and board will occur at private schools, where the total cost of a year at college will often exceed $6000.

The increase has caused the money gap between a private and public education to widen to two or three thousand dollars a year and produced some concern on the part of private college administrators who see students opting for a cheaper education, closer to home.

Officials of the American Association of State Colleges and Universities have predicted there may 200,000 vacancies next fall in their 317 member institutions.

This trend, however, does not apply to the more prestigious private colleges and better-known state universities. Competition will continue to be tough at the elite Ivy League schools where, it is reasoned, students come from inflation-proof families.

At Cornell University, for instance, where education costs will soar to $5525 not including book costs and personal expenses, applications are up and number more than 18,000 for an entering class limited to 2700.

Many students have come to accept the increases as inevitable but some saber-rattling has occurred. At Ithica College in New York, where a 4.9% increase in tuition and a 9.5% increase in room, board and health fees have been proposed, over half of the student population has signed petitions of protest.

In addition, organizers of the protest have written parents urging them to protest the increases to the board of trustees. The Ithaca students have pointed out that their school was $500,000 in the black last year and that the price hikes could be absorbed by a readjustment of priorities.

Similar protests have been made at Xavier University in Cincinnati and also at American University in Washington, DC, where 200 undergraduates turned out with signs and buttons reading, "We have had enough."

But economic forecasters have predicted that costs can only go up as the prices of raw materials—especially fuel and energy—continue to climb. According to a *New York Times* survey, the accelerating rate of increases will continue at colleges for the rest of the decade.

UNIVERSITY OF MONTANA PUNTS FUNDS

(College Press Service, January 13, 1975)

$175,000 could buy a lot of footballs. In a bizarre case which began as an investigation into the use of work-study funds to subsidize the football team, the University of Montana recently returned $175,000 to the US Office of Education.

The university's athletic director and three other officials were acquitted last year of conspiring to defraud the federal government of the money.

The case, which began three years ago, centered on allegations that athletes were given fictitious job titles and not expected to do any work. Their salaries were siphoned from funds intended for disadvantaged students.

Although the four officials were acquitted, trial evidence indicated that the federal student aid program hadn't been administered in accordance with federal requirements.

University officials denied any hanky panky in the fund shuffle to football players. Calvin Murphy, Montana University's business manager, explained, "Due to administrative errors, there was an over-authorization to individuals in the work study program."

COLUMBIA LAW STUDENTS THREATEN TUITION STRIKE

More than 300 Columbia University (NY) law students have threatened a tuition strike next fall if the administration hikes their fees more than it does other university divisions.

The strike vote came at a meeting of the law school senate at which an administration spokesman announced that law school tuition might be raised from $3400 to $5500.

The students were reportedly already irked by an administration action last year which rolled back tuition for several undergraduate divisions, but not for the law school. In addition, the Columbia administration has repeatedly voiced support for differential tuition increases.

In a letter of protest to Columbia President William McGill, the law students claimed they had been victims of a "soak-the-rich" tuition policy.

"There is widespread feeling among the student body that we will no longer serve as the goose that laid the golden eggs," the letter said.

Ms. KELLY. Thank you.

Mr. O'HARA. The next witness will appear on behalf of the student financial aid administrators, Mr. Ed Sample; of the University of Indiana, is President of the National Association of Student Financial Aid Administrators.

Mr. Sample is accompanied by our old friend, Alan Purdy, of the University of Missouri—and, Mr. Purdy, we are happy to have you back with us and see you looking so well—by Priscilla Light, of Randolph-Macon Women's College, and Richard Tombaugh, the executive secretary of the association. Please take your places at the witness table.

STATEMENT OF EDSON W. SAMPLE, PRESIDENT, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS, ACCOMPANIED BY ALLEN PURDY, UNIVERSITY OF MISSOURI, RICHARD TOMBAUGH, EXECUTIVE SECRETARY; AND PRISCILLA LIGHT, RANDOLPH-MACON WOMEN'S COLLEGE

Mr. SAMPLE. Mr. Chairman and members of the subcommittee, we appreciate the oportunity to appear before you today to comment on the student assistance programs as they exist today and how they might be modified in the future.

In previous testimony, representatives of NASFAA have outlined in considerable detail modifications which we feel are appropriate to make the existing programs more workable. In so doing, we have operated on the premise that the Congress has wisely fashioned essentially sound programs and our previous proposals have been along lines of technical improvements. The evidence will show, we believe, that the current programs of student assistance are doing a good job of providing aid to worthy and needy students. A very strong case can be made that these programs should be allowed to further develop.

Attached to this statement, Mr. Chairman, is the draft of a paper which has been prepared by Mr. Tombaugh which, as its title indicates, seeks to clarify the role and responsibility in student financial aid. This document is currently being studied by NASFAA members and will be considered by our national council at its May meeting, after we have received the input and reactions of our membership. We believe the paper presents an excellent overview of student assistance. It outlines a suggested structure to the various programs and providers of student assistance. We hope that as the subcommittee studies alternative means of organizing the Federal participation in the total scheme of things that it will consider the propositions in Mr. Tombaugh's paper.

With the introduction of H.R. 3471, new and innovative concepts have been suggested which would have a profound effect on the way in which student aid is administered. Such an important document as this bill needs to be carefully considered and fully discussed by all interested parties. Since H.R. 3471 has only recently been introduced, most members of NASFAA have not had the opportunity to read it and carefully study its contents.

However, the NASFAA executive committee did meet over last weekend to discuss the bill and the comments made today reflect the thinking of this committee. I would hope, Mr. Chairman, that we may be provided another time when we may return to expand upon these remarks and to allow the input of more of our members into our discussions. Our testimony today will analyze the bill as it relates to the objectives of the draft NASFAA position paper. We believe this to be a useful approach to presenting our comments on H.R. 3471, as it allows a logical review of the bill's contents against a scheme which we believe is well-balanced and worthy of consideration.

As members of the subcommittee can see, the position paper is quite lengthy, but I believe a brief summary of its proposals will be useful as we comment on the bill by program.

First, it will be helpful to understand the concepts of "documented need" and "assumed need" as they are used here. Documented need is that need with which we are most familiar. It is determined by an analysis of financial information submitted by parents and is expressed as follows: Documented need equals college budget minus (expected parental contribution plus student contributions from student assets and summer earnings). Assumed need is the difference between the college budget and the known resources available to the student such as aid through the GI bill, other financial aid, social security educational benefits, and the like.

Simply put, assumed need does not require an expectation of parental contribution. Therefore, the distinction between the dependent student and the independent student is not critical since we would propose that self-help (loan and work) be related to assumed need and gift aid be based on documented need, although self-help can be used when the amount of gift aid is insufficient.

In stating the purpose of student aid and whose responsibility it is to provide it, the paper suggests a four stage process as diagrammed below—and our testimony shows a diagram in free form.

Basic access is viewed as an entitlement of every young person who seeks a postsecondary education and who can benefit therefrom. We believe the Federal Government has a very definite responsibility to guarantee this opportunity. Therefore, it is proposed that through a combination of Federal and family support, an amount equal to the average indirect costs for a single student be available. The amount of this assistance would be based on documented need. By indirect costs we refer to that amount of money required to meet the living costs of the student. For illustrative purposes, this might be $1,800. The exact figure would be established on a yearly basis depending on the costs involved.

Supplemental access provides for the additional costs that are associated with going to school—tuition, fees, and other direct educational costs. Supplemental access is viewed as a shared responsibility between the Federal Government and State governments. The amount of the student award required for supplemental access would be established by some yardstick which might be, for example, the amount required after basic access has been assured to allow for attendance at an average cost public institution, say up to $2,500 or $3,000.

Basic choice undergirds a belief that students should be allowed some choice among the types of postsecondary education and institutions which are available. Many students prefer to receive their educations at institutions which cost more. It would be the joint responsibility of Federal and State governments, the private sector, and educational institutions, to provide additional assistance beyond that received through programs of assistance in the basic and supplemental access stages. Basic choice aid could be awarded in amounts up to student costs of $4,000 to $5,000 per year.

Supplemental choice would be the responsibility of the private and institutional sector and would cover student costs above $5,000 per year.

Let me turn to the proposals embodied in H.R. 3471 and evaluate them in relation to the outline just presented.

The purpose of the BEOG program is to provide a floor upon which other financial aid is built. As such, the program objectives coincide with the goal of providing basic access. However, we propose that the subcommittee give serious consideration to basing the amount of the grant to the indirect cost figure minus the family contribution.

We are delighted that the bill moves the date for submission to the Congress of the expected family contribution schedule to July 1 of the year preceding its effective date on July of the following year. This will allow for the effective delivery of applications and award notices.

However, we are concerned about the removal of assets from the determination of the expected family contribution. We believe that where it is a factor, it is a critical factor, and that we should not overlook assets in these cases. In prior testimony, on Monday of this week, we expressed hope that the Office of Education would adopt the consensus model of need analysis that is currently being developed by the Need Analysis Committee of the Keppel Task Force. This would certainly eliminate many problems now associated with the BEOG schedule and would include consideration of assets.

The elimination of the reduction schedule which is required when funds are insufficient to meet the entitlements of all applicants, if replaced by the application of a straight percentage reduction, means that the very students who are the most needy are reduced to a greater extent than the less needy. Although the schedule may be complicated, we hope that some provision can be included which will take this into account.

NASFAA is concerned about the effective utilization of BEOG funds. The elimination of the requirement to revise grants to students if the initial awarding process does not utilize the appropriated funds, coupled with the provision for carryover of unused funds, will facilitate administration of the program. We support these provisions with the expectation that the Office of Education will do a better job in the future in establishing their payment tables.

Perhaps the most important change proposed in H.R. 3471 is that connected with the SEOG program. The bill would remove from institutions those funds which are now provided to schools and place them with the Commissioner of Education, who will award SEOG's to students who qualify for BEOG's and who "demonstrate * * * outstanding academic performance in secondary or postsecondary school or clear promise of such performance * * *" The amount of the SEOG would be the college budget minus the sum of the family contribution and the BEOG award. NASFAA cannot support the redirection of the SEOG program as suggested for several reasons.

It occurs to us that the proposed determination of eligibility of students for the SEOGP is inequitable. If the purpose is to reward merit with money, why restrict eligibility only to those qualifying for BEOG's when there are other just as equally needy students who do not, for one reason or another, qualify for a basic grant? Also, it seems to us that the selection process would interject the Federal Government into a testing process where it does not belong. We have seen the attempt of the Federal Government to regulate essentially nongovernmental processes in need analysis because they did not like the results. And we are apt to see the same thing occur in educational testing. Then, too, how do we construct a test that measures academic ability in the traditional sense but also ranks students who are pursuing career-oriented goals by attending schools preparing them for specific occupations such as beauty operators, IBM machine operators, et cetera? These students are eligible for BEOG's and ought, therefore, to be considered for SEOG's.

Removing SEOG funds from institutions will take away from many schools perhaps the only discretionary grant moneys available. We have always sought to have fund sources which provide the financial aid administrator with the greatest degree of flexibility, so that he or she may construct for each aid applicant the best financial aid package possible, taking into account all the resources available to the student. The abrupt termination of the SEOG program will have a severe impact especially in States that might utilize their SSIG allocations for work-study or at public institutions with zero tuitions, thereby resulting in no offsetting grants.

We believe that the SEOG program should be continued in essentially its current format. SEOG's can be utilized in the basic choice stage, and also in the prior two stages of basic access and supplemental access if Federal and State appropriations fall short of the required amounts. The SEOG program has met its objectives well and we hope that it may continue to do so. Recognition of academic excellence is an objective which many believe should occur. We question whether, with limited Federal resources and with such a large demand for the opportunity to enter postsecondary education, it is an appropriate function of the Federal Government to reward merit as this bill proposes. Perhaps such recognition should be left to the institutions.

Although the SSIG program is new and funding has been very low, there is potential for this program. The incentive feature, matching increased State spending with Federal dollars, can enlarge the amount of financial aid available.

Since supplemental access is a shared Federal-State responsibility, the SSIG program is an excellent mechanism coupling these two governmental agencies. The revenue sharing aspects of H.R. 3471 are commendable. We suggest that SSIG funds can be spent in a variety of other ways by the State: to keep tuitions at public institutions low, as tuition equalization grants for students attending schools in the private sector, as well as grants to students and for State work programs as the bill proposes.

The State allocation formula, utilizing a "State effort index" is one which we hope the Chairman will provide more information and figures on how the funds will be distributed. We have not had the opportunity to study this provision carefully and will not comment on it at this time.

In the area of loan programs, the NASFAA draft paper makes its most substantive recommendations for change. The discussion is technical, involves great detail, and must be read carefully to be understood. Therefore, we will not comment on this sector of the NASFAA paper, except to say that it does present desired goals which we realize are likely to take a considerable amount of time to achieve. This is due to a number of reasons, not the least of which are the magnitude of the proposed changes and the fact that it requires the action of a number of congressional committees which have jurisdiction in this area. Therefore, it can be expected that if the changes proposed by NASFAA occur, it will be over time. Hence, we will speak to the GSL and NDSL programs as they are presently constituted and can function in the meeting of students needs.

As we read H.R. 3471, these seem to be the major changes for GSL: (1) Individual borrower limits of $1,000 for freshmen and $1,500 for all others; (2) The special allowance will be the difference between the 7-percent interest ceiling and the 90-day Treasury bill rate for that quarter; and (3) Institutional—school—lenders are prohibited from participation in the program.

It could seem that a reduction in the amount that can be borrowed in 1 year would assist in alleviating the default problem. However, if the aggregate maximum remains the same and no ceilings are placed on borrowing from all government programs, the establishment of lower yearly ceilings may present more of a problem than it solves. For example, graduate students who are more likely to be independent and/or married may need larger amounts to finance their graduate educations, even at the lowest cost institutions. In addition, the lower yearly maximums will not enable students at higher cost institutions to borrow as much annually as needed to finance their educations, since grant and work opportunities do not provide sufficient funds. These persons must then borrow from more than one source, making repayments more difficult and default more likely than if they were to borrow the same amount from a single program.

The provision to tie the special allowance to some "automatic" indicator is desirable since we understand commercial lenders prefer to know in advance what this rate will be before lending funds to students. NASFAA does not possess the knowledge necessary to comment on whether this is the most advantageous determinator, but endorses any actions which facilitate and expand the amount of loan assistance available to students.

This association has been on record for some time in support of institutions of postsecondary education being allowed to be what is termed "direct lenders" in this program. Our position remains the same today. Of course, we are aware that the default rate among institutional lenders is higher than among commercial lenders. But there are many reasons for this. One of the major reasons is that institutional lenders will lend to students who have been denied loans by commercial lenders for a variety of reasons—they don't loan to freshmen, their portfolio of student loans is full, the borrower is a graduate student and does not have an established banking relationship anywhere, or the student is suspected to be a bad credit risk.

Given these circumstances, perhaps a higher default rate among institutional lenders is understandable and justified. I believe we could safely say, however, that if the Congress would by some means guarantee that every student who needed to borrow could obtain a loan through a commercial lender—or from the government directly—the need for institutional lenders would not exist. But until such time as this guarantee can be made, we cannot rely on the commercial lenders to be the only means by which loans are made in this program.

As Mr. Purdy, in testimony before this subcommittee on May 16, 1974, stated:

> I believe that one could receive almost unanimous consensus among the financial aid community that the College Work Study program is already the best student aid program provided by the federal government.

We share your enthusiasm, Mr. Chairman, for this program.

The increase in the authorization amounts, along with the utilization of the "threshhold" device, will assure that this program is continued at expanded levels. However, we believe the authorization levels are inadequate. Our experience each year indicates that there is a much larger need for funds for this program—even with the needs test as a criterion of eligibility. If the need criterion is removed, presumably to meet your stated objective, Mr. Chairman, of less reliance on loans, then the need for work-study funds is very great indeed. The establishment of the condition of need is an effective mechanism to assure that students who have absolute need are provided with work opportunities.

The NASFAA paper is in agreement with your proposal to remove the needs test and suggests that the assumed needs test is appropriate for eligibility for work-study employment. However, it is hoped that in the event a school does not have sufficient work-study dollars, that it would not be precluded from utilizing documented need as a criterion to determine eligibility and the amount of earnings permitted under the program. Of course, the institution would also be free to use the presumed need concept if funds were available.

The question of an appropriate State allotment formula has been with us for a long time, and we are pleased to note that attention is being paid to it. It is a complicated and politically sensitive process. Two suggestions might be considered in this regard: Should the enrollment figures include half-time students since they are eligible for the program? Should State enrollment figures include only the numbers of students enrolled at participating institutions? Also, we hope the subcommittee will look at the need for a specific set aside of 10 percent of funds for the Commissioner's discretionary use. Perhaps this provision can be eliminated.

The job creation program which this bill would create has a worthy objective of creating new nonwork-study jobs. Expansion in this area is highly desirable, as long as there is no displacement of employed workers and no existing contracts are impaired, which the bill stipulates. However, we question whether 1 percent of the wages earned in 1 year on new jobs is sufficient incentive for schools to make the effort. For example, if a new job is created whereunder the student earns $1,000 during the academic year, the payment to the school for creating the job is $10. It probably would require $10 just to keep the records to claim the reimbursement, which would leave nothing to assist in the expenses incurred in creating the job.

This program of loans to students was the first of the major modern-day student aid programs enacted by the Congress. It has also been one of the most successful. It is our position that this program should be kept and that Federal capital contributions should be continued—at least until certain other conditions are met.

The idea to provide the assets of the loan fund to institutions to use as a loan fund under terms and conditions which the institution establishes—subject to "such conditions, limitations, and requirements as the Commissioner shall prescribe"—is one which needs to be considered. This same suggestion is embodied in the NASFAA paper, but as stated previously, to achieve these goals will take time, and until that time comes we must continue the NDSL Federal Capital Contributions. We cannot rely on the commercial lending community to expand to meet ever increasing needs. There are too many reasons why lenders will not fully participate. Institutions need an expanding NDSL program to maintain a well-balanced financial aid program at the institutional level. If NDSL Federal capital contributions are withdrawn, then the guarantee that a student can obtain loan funds from some other source under the guaranteed student loan program is absolutely essential.

We are pleased to see the continuation of the administrative expense reimbursement for the CWS and NDSL programs. We are not sure from reading the language of the bill whether or not an administrative expense reimbursement is provided to institutions for the programs covered by part A. We believe this association has well documented to the subcommittee the need for reimbursement for the BEOG program—which relies so heavily on institutional involvement for its successful administration.

In addition, the conference report on the amendments of 1972 indicated a desire on the part of both the House and Senate to provide an administrative cost allowance to institutions for the expenses incurred by the schools under the guaranteed student loan program. Again, prior testimony to this subcommittee has established the need for this cost reimbursement and we are hopeful that you will include this in the Student Financial Aid Act of 1975.

The inclusion in statute of the concept of "refund, disclosure, and tuition requirements" such as those which have been developed by the GSL program and extending these to all student assistance programs needs to be discussed fully. We are greatly concerned about the added expense, paperwork, and administrative problems created by the GSL regulations. We have yet to see the shape of the future as to what the Commissioner will demand as acceptable compliance. The recent experience with the Federal need analysis regulations indicates that the Commissioner may establish rules which, while legal, may be almost totally unacceptable and, in the case of section 496 requirements, very onerous. Such conditions make compliance extremely difficult and costly.

This proposal would allow the Commissioner of Education great authority to dictate policies of postsecondary institutions and we should be very careful before such grants of authority are given. We support the need for accountability in the conduct of institutional affairs and NASFAA does not quarrel with the fact that in some instances such regulations may be necessary. Should these regulations be universally applied, subjecting all to the work and expense involved, when they might be selectively implemented where warranted? If such discretionary authority is provided the Commissioner, it is hoped that some mechanism is provided for relief from regulations which, while legal, might be inappropriate.

Section 497 requires an affidavit of educational purpose. The Office of Education has made the interpretation that "affidavit" means a notarized statement. The notarization process adds much confusion for the student and institution alike, complicates the registration process in many institutions, and generally makes administration of all Federal programs more difficult. Yet the notarization has no legal value except that the signature is witnessed by a notary public. It does not enhance or guarantee the sincerity of the signer. It may psychologically cause the student to consider his or her intended use of the funds, but the pause is apt to be only momentary. If such a statement is required by the Congress, we hope that the Office of Education might be directed that a simple statement by the student will comply with this provision.

This testimony began with a statement of confidence in the existing student-aid programs to meet the Federal responsibility in providing student assistance. They have met the test of time and experience. NASFAA has presented testimony to improve upon these programs and we hope that our previous testimony will not be forgotten by this subcommittee as it develops new legislation. With proven programs in existence, which are understood and which are doing their job well, one can ask whether or not there needs to be a major overhaul of the programs merely because the authorization for the programs are expiring.

On the other hand, if there are other and better ways of doing things, then these ought to be considered. H.R. 3471 is one approach, the NASFAA draft position paper is another—and, I am sure, there are still others with good ideas as to how the Federal Government should participate in financial aid enterprise.

Based on our experience to date, we are sure that the subcommittee will fully engage in the consultative process and will consider everyone's comments. Hopefully, through the process of assimilation and compromise, the subcommittee can produce a bill which will provide even more effective programs than we have now. Whether this legislation continues the existing programs with improvements or charts new directions, you may be assured of NASFAA's continuing interest.

We would hope, Mr. Chairman, because of the magnitude of the task ahead of us, that the subcommittee will not move with undue haste to report out a bill. We know that the program authorization expires on June 30, but the Congress wisely provided for an automatic extension of 1 year if the programs were not reauthorized prior to June 30. Since we have basically sound programs already in place, it is our hope that we can have a deliberative process which will allow thoughtful consideration of the future financial aid programs.

Thank you for this opportunity to present our views, and we will be pleased to answer any questions which the committee may have.

[The paper referred to follows:]

CLARIFYING ROLE AND RESPONSIBILITY IN STUDENT FINANCIAL AID

Introduction

Those persons familiar with the historical development of financial assistance to students lacking sufficient resources to pursue postsecondary education recognize the patchwork way in which these programs have come about. While the financial aid programs which existed prior to 1958 were not insignificant, they were limited for the most part to institutional inducements for outstanding scholars and short term "emergency" loans to help out of unexpected situations. Thus, it was really the advent of the National Defense Student Loan program that not only signaled the federal government's initial involvement of "need-based" student assistance, but a trend toward both public and private support of needy students. Since that time, student aid programs have emerged regularly, usually in response to a specific manpower need or to provide access to postsecondary education to a particular segment of the population. However, it is not the purpose of this paper to provide a historical review of student aid. That has been very adequately done by others. These comments are intended only to illustrate the hodgepodge of programs, conflicts of purpose (if the purpose is in fact clear), overlaps of jurisdiction, and absence of coordination that currently face students, their families, secondary school personnel, institutions of postsecondary education (particularly their financial aid administrators), and officials of government at all levels.

It is small wonder that everyone is confused by the myriad of scholarship, grant, loan and employment programs sponsored by the federal and state governments, institutions, national and local organizations, and private donors. Each has its own applications, financial forms, eligibility requirements, and selection criteria. Few would argue that some order must come from the present chaos if we are to maximize the limited resources available for the purpose of assisting needy students. The most recent statement of the problem came from the Appropriations Committee of the U.S. Senate in its report on the 1975 Labor and HEW Appropriations Bill. The report stated, in part:

"* * * the Committee would urge both HEW and the respective authorizing committees to reexamine current student aid programs with a view to streamlining the existing administrative process for acquiring financial aid. As it stands now, both the prospective student and the family must wade through a series of complicated, if not unnecessary bureaucratic channels. A system should be established whereby student needs can be more readily matched with the appropriate student aid program."

Traditionally, the financial aid community has for the most part only reached to proposals advanced by legislative or administrative bodies of government, or to conclusions of "blue ribbon" commissions or task forces of economists, educational administrators, and laypersons who have a sincere interest and theoretical understanding of the problem, but a limited practical experience in dealing with students and their needs. The other avenue taken by the aid community has been to recommend changes in existing programs which, while significantly easing administrative problems and occasionally reducing inequities to students, have been primarily cosmetic in nature.

With the expiration of most federal student assistance on June 30, 1975, and the consequent work of the authorizing Congressional Committees in the meantime, we are provided a unique opportunity to influence the legislative process at the federal level and initiate substantial improvments in student aid delivery. While revisions in federal programs will certainly not provide a complete answer to the present situation, the concepts contained in federal legislation have undeniable influence on programs at all levels and from all sources. Although there may me considerable "lag" between enactment of federal changes and any adjustments in the state, institutional and private programs, a new tone can be set which can eventually lead to an improved delivery system overall.

NASFAA and the entire financial aid community has a responsibility to provide leadership for this entire process. We are, however, faced with a choice of the best approach to employ. We can continue our traditional course of recommending changes in existing programs and/or reacting to Congressional and Administration proposals for such changes. If so, the compilation of legislative proposals made to the Congress over the past year or so, and our comments on proposed rulemaking, will suffice to form the basis of our input. On the other hand, we can take the initiative and propose a major "overhaul" of the federal student assistance programs, taking advantage of the pending authorization expiration and the apparent awareness of all parties concerned that something significant needs to be done to reduce the confusion, frustration, and lack of efficiency that plagues the current patchwork quilt of programs. This paper, therefore, is written to propose that the latter course be followed, and further, to suggest one direction that might be taken to achieve the needed "retooling" of an antiquated delivery system. Needless to say, it will not cover all the possibilities, and it will need considerable refinement and elaboration to provide a workable delivery system. Hopefully, however, it will provide a conceptual framework which can be expanded through thoughtful discussion and debate in avariety of forums over the next few months.

A Clarification of Purpose and Role

One of the basic problems confronting us is a confusing matrix of purpose and role. Who should do what? Who should be responsible for access? Who should provide choice? What are the appropriate roles for federal, state, institutional and private programs? Presently, there is no clear delineation of either purpose or role of the several sources of support for students. Programs overlap in their objectives, target populations, and funding appeals. Some programs are very specialized, while others attempt to provide something for everyone. As an alternative, the following conceptualization is offered for consideration.

A FOUR STAGE PROCESS

In order to clarify the role of various sources of funding, and to define the purpose of each resultant program more completely than at present, the delivery of student assistance could be designed in four distinct stages or levels. Each stage would have a unique purpose, and either a single funding source or a logical combination of sources.

I. Stage One—basic access

Basic access to postsecondary education should be seen as an entitlement of every individual, and is clearly a federal responsibility. Reflecting the "absolute need" of the individual and his or her family for assistance, the stage would provide a floor or foundation of support which, when combined with a reasonable family contribution, will afford access to the most modest of postsecondary opportunities. This could best be accomplished by providing, through a combination of federal grant and family support, an amount equal to the average cost of maintenance for a single student.[1] The unique aspect of this proposal is the relationship to maintenance, rather than total cost. There are at least two reasons for this approach. First, it is more logical because the rationale of the family contribution first draws upon the ability of the family to support the maintenance costs of the student at some predefined level, either continuing in the context of the family unit as a commuter living with the family, or as resources "released" by the student's departure from the family unit and the subsequent "ability" to apply those resources to the student's maintenance at the institution (whether or not paid to the institution, but outside the regular family budget). Only when the family resources exceed the costs of maintenance does the need analysis rationale begin "taxing" discretionary income and/or assets for purposes of paying direct educational costs. Secondly, such an approach removes this form of support from the arena of institutional pricing policy. Inasmuch as it is limited to the average cost of maintenance, there is little incentive for the institution to raise tuition primarily to take advantage of the Stage One grant. Consistency of treatment and horizontal equity would be the primary objectives of this grant program. No variations due or related to institutional choice would be present. For purposes of example, Stage One would provide, through a combination of family contribution and federal grant, the first $1800 of support to each individual choosing to apply.

---

[1] This is not an original concept, but was advanced most recently by Ms. Lois Rice of the College Entrance Examination Board.

II. Stage Two—supplemental access

Obviously, the provision of maintenance costs is not sufficient to provide full access. The costs of instruction, books, and other direct educational costs must also be supported in some manner. In this proposal, Stage Two is seen as a shared federal-state responsibility, to be met through a combination of tuition subsidy and grants based upon absolute need to provide direct educational costs up to the average cost for public postsecondary institutions. Stage Two support allows some choice on the part of the states, in that they may opt to heavily subsidize tuition costs and provide minimal grant amounts, or they may select a minimal tuition subsidy with a substantial grant program to offset those higher tuition costs for those students with need. It should be recognized that the subsidization of tuition is not limited to public institutions, but is currently being done in some states through tuition equalization programs, higher grant levels for those attending private institutions, per capita payments to private institutions enrolling state residents, etc. The funding of Stage Two support might take the form of federal revenue sharing with state matching requirements and minimal federal standards for per capita support, perhaps up to the national average of instructional costs at public four-year institutions plus an allowance for books and supplies. Stage Two would, through a combination of tuition subsidy and grant payments, provide access to every individual to an institution with student costs of up to perhaps $2500–3000 per year by adding the equivalent of $700–1200, less any expected family contribution, to the basic Stage One support.

III. Stage Three—basic choice

There is considerable support for the philosophical concept that the public interest is best served by not providing access through tax revenues, but also by permitting some degree of institutional choice. Otherwise, the argument goes, we end up with a socioeconomic stratification of post-secondary institutions which finds only the affluent families represented in the enrollments at private institutions. To some extent, the tuition equalization and differential state grant maximums mentioned earlier are in response to that concern, although the desire to aid "middle-income" families for political reasons is also involved. Few proponents of this public responsibility would argue, however, that basic choice should solely be borne by tax dollars. Thus, Stage Three should also be funded through the private sector and with institutional resources, primarily via tuition income redistributed on the basis of "relative need," i.e. based upon the cost of the institution (all support, public and private, for Stage Three would be based upon relative need). Stage Three assistance, when combined with Stage One and Two support and any remaining expected family contribution, would provide institutional choice up to, for example, student costs of $4000–4500 per year.

IV. Stage Four—supplemental choice

Even the most vocal advocates of public support of institutional choice would probably feel uncomfortable with unlimited tax support. This proposal suggests that Stage Four, financing student costs exceeding $4000–4500 per year, be strictly an institutional and private sector responsibility, totally unsubsidized by tax dollars. These funds would come from endowments, redistributed tuition, or other income sources, or through private sector grants and loans. No ceiling of support would exist except for the available resources and the cumulative needs of enrolled students.

This four stage concept delineates a fairly specific role to the various funding sources and reduces the present problem of overlapping purpose among programs. In summary, the four stage concept can be diagramed in its most simplified terms as follows:

Stage four.—Supplemental choice—Through family contribution and private and institutional student aid funds up to total student cost—relative need.

Stage three.—Basic choice—Through family contribution and federal, state, institutional, and private student aid funds up to $4000-45500 of student cost—relative need.

Stage two.—Supplemental access—Through family contribution and federal-state grants and tuition subsidy up to $2500-3000 or student cost—absolute need.

Stage one.—Basic access—Through family contribution and federal grant for first $1800 of student cost (maintenance only)—absolute need.

In the next section, program outlines for delivering student assistance in accord with the four stage concept are explored.

Types of Aid and Eligibility Criteria

When students require assistance with their educational expenses, there are only three basic ways in which that aid can be provided. The money can be in the form of gift, without any work or repayment requirement; it can be in the form of a loan, with repayment expected within a specified period; or it can be in the form of a job, either during vacation periods or during the academic term on a part-time basis. Many variations have been devised, such as work scholarships, cancellable loans, etc., but the basic elements remain the same. Thus, any new proposition for the delivery of student assistance will necessarily focus upon the same types of aid which have been available heretofore. The specific details of the individual programs may vary from the present ones, but they will continue to be gift, loan, or work programs in their basic concept.

Where the conceptualization being advanced in this paper does differ from the current state of affairs is in the eligibility criteria for participation in student aid programs. Presently, demonstrated financial need is the primary qualification of eligibility for the federal direct loan programs, both the Basic and Supplemental Opportunity Grants, the College Work-Study Program, and most state scholarship and grant programs. Most, but not all institutional scholarship, grant and loan programs are based upon demonstrated financial need. The vast majority of non-College Work-Study employment is not based upon need, but upon willingness, ability, and availability. However, the situation is greatly complicated by the fact that when aid not requiring demonstrated need is mixed in a student's package with aid which does require need, the former takes on the restriction of the latter. Otherwise, the student is "overawarded" and need-based aid is subject to reduction or elimination.

This state of confusion is particularly acute where non-Work-Study employment is involved. Federal regulations will soon require that institutions monitor all on-campus employment earnings and make those earnings a part of the student's aid package, reducing other aid if necessary when federal need-based aid is involved. While the philosophical basis for this requirement, presumably the broadest utilization of scarce aid resources, is of great merit, the application of it has many pitfalls. Such a requirement takes away one of the few avenues available to students to compensate for unrealized parental contributions. It removes the primary method for the disadvantaged student on "full" aid to fulfill his perceived obligation to assist with the financial plight of his family back home. It makes more difficult the opportunity for disadvantaged students to "catch up" their standard of living. It may serve as a disincentive to student initiative by precluding part-time employment beyond need. The regulations acknowledge the impracticability of institutional monitoring of off-campus employment earnings, and in the process legitimize discrimination against students who by chance or choice work on-campus. Equity is further disrupted by the fact that students who honestly report their off-campus earnings on their applications will receive less assistance than will those who fail to include such earnings on their statement of resources.

Beyond the problem of "overawarding" addressed above is that of the independent or self-supporting student. The historical dilemma of determining independent status has been further compounded by recent "age of majority" legislation at the federal and state levels. We now have a complicated set of criteria for independence for some federal programs, several variations at the state level, and a great variety of criteria at the institutions. Students unable to meet these criteria, yet unable to obtain resources from presumably able parents, find themselves with very few alternatives since most forms of aid are need-based. The Guaranteed Student Loan offers some recourse, but the accessibility to such a loan is frequently a problem since the functionally independent student may not have a "hometown" lender by virtue of his independence. Many hassles result from this difficulty in determining whether or not a student is truly self-suporting, but in the case of the federal programs, there is little room for question; fail any one of the three tests and the student is out of luck for most programs.

It is therefore proposed that eligibility for student aid programs be expanded and clarified by the use of two categories of "need."

I. Documented need

Documented need as used here is financial need in the traditional sense, based upon financial information collected via a confidential statement from the applicant's parents (if dependent) or the applicant (if self-supporting). Documented need is determined by subtracting the expected parental contribution (if dpendent) and the student contribution from either a prescribed standard (absolute need) or an individualized student budget (relative need). In this conceptualization, documented need is used to determine eligibility for governmental gift aid (scholarships and grants) in the first instance for the basic federal grant, and in the second instance for supplemental federal-state grants. In both cases, the need is absolute, in that institutional cost is not considered. Obviously, institutions may choose to use documented need as a criteria of eligibility for any institutional programs. Under documented need, a very strenuous test of self-supporting status should be used before the parental financial strength is ignored, precluding "emancipations of convenience."

II. Assumed need

Assumed need as used here is the difference between the individualized student budget and the known resources of the student, ie. other financial aid, part-time employment, G.I. Bill, Social Security, etc. Assumed need does not make an expectation from parents, and thus does not make a distinction between the dependent and independent student. Consequently, the student can, in effect, declare himslf independent by simply not showing any parental contribution on the application. In this conceptualization, assumed need is used to determine eligibility for all self-help (loan and work) assistance. It gets its name from the fact that if the student requests self-help, it is assumed that the assistance is needed. However, in no case may the total aid received (via documented and assumed need in combination) exceed reasonable cost to attend.

The rationale for this distinction between documented and assumed need is simply that assistance which is totally subsidized by tax dollars should be restricted to students who can document that they and their families are unable to meet the educational costs. Thus students of traditional postsecondary enrollment age are not allowed to become eligible for such aid by becoming "needy" through artificial independence. At the same time, the pressure to be classified as self-supporting is lessened over the present situation because alternative sources of funding exist through the self-help aids available under the assumed needs test. This conceptualization proposes that self-help should be available to any student who is willing to invest in education through current earnings (work) or future earnings (loan), without respect to the financial circumstances of the parents. Such an approach provides an alternative to the student who wishes to become self-supporting, but cannot meet the rigorous test of independence inherent in documented need. However, this proposal calls for a reduction in the extent of tax subsidy which exists in the current federal work and loan programs. More specific descriptions of programs to carry out the concepts advanced here will be provided in the next section.

Specific Aid Programs

In order to carry out the objectives of this conceptualization, an adaptation of existing aid programs is required. Some programs require only slight change, while others will not be readily recognized. The programs will be described accordingly to the role they play in the delivery system.

BASIC ACCESS PROGRAM

The federal grant to provide basic access would be very similar to the current Basic Educational Opportunity Grant program. As indicated earlier, the expected family contribution would be subtracted from a national average maintenance cost, and would not be affected by the cost of the institution to be attended. Thus, every individual would have a foundation of "gift" support in the combination of family contribution and federal grant totaling, for example, $1800, to provide access to a tuition-free institution. Eligibility would continue to be based upon a national standard of expected contribution mandated by the federal government and applied uniformly throughout the Nation. This federal grant should be demand-funded, in the manner of the G.I. Bill, so that the current reduction procedure would be unnecessary. While it would be highly desirable that the expected contribution be reasonable and reliable, the system is not completely dependent upon such realism because of the ability of the student to "make up" unrealized parental contribution via self-help. Delivery of the basic access grant would be the same as the current BEOG, with centralized processing of applicant data, and payment through the institution.

SUPPLEMENTAL ACCESS PROGRAMS

The programs to provide supplemental access would vary from state to state in this proposal. As a joint federal-state responsibility, programs would be funded through the State Student Incentive Grant Program of the Federal Government, the state scholarship and/or grant program within the state, and other funding by the state which is used in a variety of ways to keep tuition down in public institutions and to equalize tuition in the private sector. Thus, a state that has a significantly lesser state scholarship and/or grant program than would a state which chose to provide supplemental access through an extensive state scholarship and/or grant program. Since the State Student Incentive Grant is provided on a matching basis, it would be distributed differentially depending upon the effort made within the state to provide student assistance. It would appear that the changes desirable in SSIG involve the encouragement, if not the requirement, that state scholarship and/or grant programs (at least those supplemented by SSIG) should be available to all needy students regardless of their institutional choice, either in or out of their home state. Since requiring such eligibility might well cause some states to choose not to participate in SSIG rather than have the additional strings attached, it is suggested that some incentive mechanism be employed to provide additional SSIG funding to those states which "open up" eligibility to all needy students. Funding for the SSIG program will have to expand if this phase is to be successfully implemented. Otherwise, the achievement of supplemental access will vary from state to state. However, because the program generates $2.00 for every federal dollar expended, the amount of return warrants such an expansion of federal funding.

BASIC CHOICE PROGRAMS

It is the purpose of these programs to pick up at whatever level the supplemental access programs leave off, for example, at institutions costing in excess of $24–2800.00. While it will be necessary to maintain basic choice programs at institutions of lesser cost, in order to fill vacuums caused by less than adequate funding of basic and supplemental access programs and to assist students who somehow fail to demonstrate eligibility for those programs, the demand for basic choice programs should be minimal at those institutions. Basic choice funding will, in this conceptualization, consist of any federal, state, institutional and private scholarship, grant, loan, and employment programs, with the exception of the Basic Grants and SSIG/state scholarship and/or grant programs. However, the primary sources of funding in this stage will come from federal loans, Supplemental EOG's and College Work-Study. It is in this stage that the greatest amount of change in existing programs will be required to satisfy the concepts being advanced in this paper. There is, however, one general recommendation which involves all three forms of federal aid. NASFAA has long urged the Congress to increase the flexibility of the institution to provide grants, loans and work opportunities by authorizing greater authority to transfer funds from one program to another. We have previously recommended that up to 10% be authorized for transfer, limiting ourselves to that because it seemed to be the most transferability which was politically feasible. However, with at least one member of the House Committee on Education and Labor proposing that funding for these three programs be provided in a block grant and the use of the entire amount left to the discretion of the institution, the climate may be right for going further than we have recommended in the past. It would seem likely, however, that there would be some reservation in the Congress about providing unlimited transferability. It is proposed, therefore, that NASFAA recommend the block grant approach to funding the campus-based programs, but attach a maximum of 50% of the grant that can be used for SEOG purposes. There would be no limitation for use as loan FCC, or CW–SP wages under this proposal, but it would preclude an institution from utilizing more than 50% of its allocation for grants. Other recommendations of this proposal, program by program, are as follows.

I. Supplemental grants

It is recommended that NASFAA continue to endorse the need for Supplemental Grants, in spite of the growth in the Basic Grants and SSIG programs. The lack of adequate funding in both areas, coupled with the less-than-comprehensive eligibility coverage inherent in each, would seem to justify a continuation of a campus-based grant program. As such, it would seem that the existing SEOG approach is reasonably good. As indicated earlier, the need for Supplemental Grants, providing that the funding of BEOG and SSIG becomes more adequate, would largely be limited to the institutions with student costs in excess of $24–2800. Thus it becomes in a sense a tuition equalization program, providing the institution with the capability to minimize the loan and work requirements for students of great need. Probably the most drastic change needed for SEOG is the removal of the distinction between initial year and continuing year awards. There seems to be no logical reason for this distinction, and it creates unnecessary administrative burdens for institutions. There would seem to be little need for larger maximum grant amounts because of the existence of the other two grant programs. We have previously recommended that the restrictions on what constitutes eligible matching funds be removed, and that a more flexible definition of exceptional financial need be provided. These recommendations would still seem to be appropriate under this conceptualization.

II. College work-study program

Of the three campus-based federal programs, CW–SP appears to be the most generally endorsed and supported at all levels. Therefore, the need for change in this program is minimal. However, the concept of self-help based on assumed need does bring into question the liberal amount of federal subsidy which is involved if students without demonstrated need are provided the opportunity to participate. There are several ways that we could go in this respect, but the most logical alternatives are three: (1) leave the 80–20 ratio alone and attempt to justify that much subsidy even for assumed need students; (2) change the matching requirements to create a less highly subsidized funding, for example a 50–50 ratio for all participants; or (3), provide for a variable matching ratio depending upon whether the student participation was qualified under documented need or assumed need. In the first case, not only does the high degree of subsidy for assumed need students have questionable salability, but it also dilutes the impact of the program for the documented need students if eligibility is extended to assumed need students. In the second case, we help the question of level of subsidy for assumed need participants, and minimize the dilution effect, but we undoubtedly would cause hardships for institutions who depend on Work-Study students and have limited student wage budgets, and we also run the risk of losing participation from off-campus non-profit organizations unable to provide the additional match. In the third instance, we provide a response to all of the preceding concerns to some extent, but we add an additional administrative complexity to the program which institutions could easily do without. However, it would appear that the latter approach is the most marketable under the circumstances and it is recommended that NASFAA advance this concept. The differential ratio might well remain 80–20 for documented need students and 50–50 for assumed students, or we may wish to recommend 40–60 or something less for the latter category.

There is considerable interest among a variety of groups and individuals for changing CW–SP to require that the work be more relevant to the student's curriculum and/or vocational choice. NASFAA has gone on record as supporting the of job relevance, but has insisted that it is not necessary or desirable to require same. It is felt that this position should be maintained, but it may be desirable for us to support these efforts to enhance the job-relevance of CW–SP. One of the primary deterrents to job relevance may be the absence of employment opportunities with profit-making organizations. The absence of profit-making employers also constricts the availability of CW–SP jobs in general. Therefore, it is recommended that NASFAA endorse the extension of CW–SP employer eligibility to include profit-making organizations under the following conditions: (1) that the matching ratio of federal support to employer contribution be set to provide minimum subsidization to the profit-making organization, yet provide some incentive for the employer to hire CW–SP students over other job applicants. This might be accomplished with a 20–80 ratio of federal funds to employer contribution, but a 10–90 ratio might be practical under these circumstances. (2) That all positions in the profit-making sector must be related to the student's academic program or vocational choice. We could not justify the utilization of CW–SP funds for employing students in the profit-making sector if an engineer was washing dishes or a chemistry major was clerking in a retail store. We could, however, justify the employment of an engineer in an engineering firm as an engineering assistant, or a chemistry major working as a lab technician in a research laboratory. At the risk of further complicating the variable matching ratio, it might be desirable for us to suggest a greater subsidization for demonstrated need students working in profit-making situations than for students participating under an assumed need eligibility.

We have previously recommended that institutions be allowed to carry-over up to 10% of a Work-Study allocation from one year to the next or to "borrow" up to 10% against a succeeding year's allocation, in order to provide greater flexibility in meeting year-end payroll. This provision becomes less necessary if the transferability between programs as proposed earlier can be implemented, for any unused funds could be transferred to the loan program and carried-over there. However, that does not accommodate the occasional need to borrow from the succeeding allocation if additional funds are needed to meet the year-end payroll, and we may want to build that element into our recommendations, although it becomes more difficult to do under the block grant concept. Another problem we have been having with CW–SP, the questionable authority of OE to reallocate funds during the second fiscal year of their availability, can be handled by a clarification of the two-year availability of the block grant allocation. With these few exceptions, the College Work-Study Program seems to be sound and worthy of continuation very much as it currently exists.

III. Loans

. It is in the loan area that this conceptualization makes the most drastic proposals for change. NASFAA has previously recommended that the Congress consider a consolidation of the multitude of federal student loan programs into one comprehensive plan. While the Congressional committee jurisdictional differences make this proposal more difficult to accomplish, it may be appropriate for NASFAA to press for chance at this point in time. All of us are all too familiar with the administrative headaches and the confusion of students and parents alike with the many federal loan programs. Therefore, it is proposed that we seek legislation which would either permit, or perhaps even require, an institution to convert its NDSL, Health Professions Student Loan, and Nursing Student Loan capital funds and accounts receivable into one institutionally based loan fund to be used to capitalize institutional participation in the guaranteed student loan program. While there are a number of changes we should seek in the GSL program, it seems to be the most appropriate approach to such a unification plan. There are several advantages to such a conversion. First of all, we remove the service-connected cancellation provisions without specifically legislating them out of existence, while retaining the death and disability cancellation provisions. Secondly, we provide the opportunity for debt cancellation where the borrower has obtained loans from several different sources outside the institution with at least two alternatives: the institution can either purchase the other outstanding notes held by other institutions or commercial lenders, or the student can petition that his various notes be sold to Sallie Mae whereby such consolidation can be made. There are still some problems of Sallie Mae discounting to be ironed out, but that would seem to be a possibility. Thus the student is spared the multiple repayment hassle that so many of them are getting involved with under the present scheme. The consolidation approach further provides the institution with insurance against defaults providing that due diligence is observed, thus protecting the capital fund against undue losses that might otherwise be experienced. Given that the NDSL program now authorizes the transfer of defaulted notes. By lending under the GSL program, the capital at least theoretically remains constant through the ability to file default claims. The administrative benefits to the institution by having only one federal student loan program to manage would be quite obvious. One of the primary objections that we might anticipate to this proposal is the differential funding levels that exist between institutions in the current program, and consequently any consolidated capital fund. This proposal in no way suggests that the FCC approach be diccontinued, and in fact the block grant concept would continue the FCC potential for every institution. Therefore, those institutions with greater need for capitalization of such a consolidated fund could opt for a higher proportion of their block grant to go to loans, while those institutions whose NDSL fund, for example, has become nearly revolving, can minimize their utilization of the block grant funds for loan purposes, and place their money in Supplemental Grants and Work-Study primarily. There are other alternatives, however, for those institutions with insufficient loan capitalization under this proposal. Whereas it is not possible for an institution to increase its capitalization of the NDSL, HP or Nursing Loan programs currently beyond the FCC and the institutional match, as a direct lender under the GSL program, an institution could borrow funds from commercial sources for precisely the purpose of increasing its capitalization. Many institutions are currently doing this as a means of being a direct lender, and the concept could be utilized by any school lacking sufficient capitalization through the consolidation of existing loan programs. Under this conceptualization, the institution retains control of the federal loan program as a direct lender, but increases its potential to provide adequate loan funds, simplifies the administration of these funds through the consolidation, allows the consolidation of individual borrower repayment obligations more readily, provides a guarantee on the capital funds, and allows the institution to predict and in some ways control the amount of new or additional capitalization available each year.

About the only disadvantage readily apparent in this proposition is the loss of a three percent loan to students with documented need. However, it may be well to consider the degree of federal subsidy that is currently being employed in the NDSL, HPSL, and NSL programs. While a three percent loan was generous even at the time of its origin, the current interest rates make it tantamount to a completely subsidized loan. Given the amount of grant support currently available to documented need students or to be made available under the proposals contained in this paper, the question might be asked if a three percent loan was any longer necessary or even desirable. While it cannot be argued that such a low-interest loan is extremely appealing, there are serious doubts as to whether the difference between three percent or seven percent interest is sufficient, in this day and age, to deter students from borrowing in order to round out their package. Nor can it be argued with great conviction that the difference in the cost to the student between the three percent loan and a seven percent loan is sufficient to present a hardship. It might be convincingly argued that the seven percent loan might cause students to think twice about borrowing more than they really require, but not enough more to deter them from borrowing what is needed.

NASFAA has previously made a number of recommendations with respect to changes in the Guaranteed Student Loan Program. All of these prior recommendations remain appropriate under the consolidated proposition, and can be advanced in the final position paper adopted by the National Council. However, there are at least two of these recommendations that should be subjected to further discussion and investigation. One is the question of the in-school interest subsidy, whether it should exist at all, or if so, at what income level should it "cut off" and if it should be repealed, what provisions, if any, should be made for advancing the interest due to the lender during the in-school period. Because of the rapidly expanding costs of the in-school interest subsidy, NASFAA may well want to recommend that such a subsidy not be provided to any borrower, but rather that the federal government pay, upon the student's request, the interest during the in-school period to the lender, with the amounts so advanced being added to the principal of the note at the point of termination of student status. Thus, while the federal government would have the initial expense of advancing the interest costs, the repayment of same would eventually create a revolving fund which would require no further federal appropriation. Students could avoid the compounding of the interest by paying the interest charges as they went along, but the availability of federal payment would tend to override any lender resistance to the loss of income during the in-school period. As with the proposed increase from three percent interest to seven percent interest made earlier, there is an obvious disadvantage to the documented need student. However, the point about the availability of grant assistance up to approximately $24–2600 of student costs should be reiterated here, suggesting that the most needy students should have their borrowing needs minimized considerably, given the other programs available prior to the necessity for borrowing. Additionally, it may well be hard to justify a differential interest rate for documented need and assumed need students, given that both are obtaining self-help to supplement their other resources. The federal expenditure for the in-school interest subsidy on guaranteed loans currently could expand the Basic Grant funding by 50% and significantly reduce the amount of borrowing required of documented need students. Past experience with the needs test on the guaranteed loan strongly suggests that assumed need students and their parents are not really that concerned about the interest subsidy, but only about the availability of capital funds. Therefore, their participation would not seem to be jeopardized at all by the loss of the in-school interest subsidy. One possible alternative to the constant 7% interest rate for all students would be a differential interest rate for documented need and assumed need borrowers. However, it is probably not worth the administrative problems that would be thereby generated to promote such a position. Then we would be faced with differential rates on the same student borrower and he/she changed from assumed need to documented need or vice versa, and we would have the additional pressures from the assumed need students to become independent and qualify as a documented need applicant in order to get the lower interest rate. All in all, the gain does not seem to be worth the hassle.

General provisions inherent in the above proposition contain a number of concepts. Since they apply to all three forms of federal assistance, they are enumerated here.

Item 1.—Basic choice self-help funds should be provided first to those students with documented need in order to fill out their packages and supplement their grant assistance. Given the probability that at least initially the funding available to institutions for self-help purposes will be less than the demand by the assumed need group, eligibility for this category should be dependent upon first serving the documented need group. However, there would be nothing to preclude the assumed need student from obtaining his self-help outside the institution, i.e. from a commercially funded GSL or unsubsidized student employment, or any other funding from state and/or private sources. However, the assumed need student would be eligible for the campus-based federal loan and CW–SP programs if and when resources remained available after documented need students had been assisted.

Item 2.—As is currently the case, grant assistance in the form of Basic Grants, SSIG, and SEOG would be limited to undergraduate students. Eligibility of graduate students for the direct loan/GSL and for CW–SP would continue. However, it is probably desirable to reassess the maximum loan ceilings, both an an annual and cumulative basis for graduate and professional students in particular, inasmuch as the consolidation of the various loan programs would reduce, if not preclude, the "stacking" of more than one loan program simultaneously.

Item 3.—As suggested earlier, it would be particularly important to make sure that any legislation contains the necessary provisions for reallotment of allotted but unneeded funds from one institution to another and for the allotment of funds being held in reserve for eligibility reasons.

Item 4.—Extensive consideration must be given to the state allotment formula presently utilized for distribution of the campus-based funds and, related to that, the application and panel review process currently utilized. Some members of Congress are calling for a much more simple distribution formula based upon the combination of FTE and institutional cost. This would have the effect of doing away with the application and panel review porcess as it currently exists, and may have some considerable merit. However, the proportionately greater accessibility to grant funds on the part of students in lower cost institutions may make it necessary to factor that consideration into the formula in some fashion. There are many critics of the current state allotment formula approach and it appears very likely that it will be changed in subsequent legislation. Therefore, it behooves NASFAA to either come up with a new method of allocating funds to institutions or living with whatever the Congress determines to serve their purposes best.

Item 5.—An important element of any legislation to be forthcoming is the matter of federal reimbursement of administrative costs incurred by institutions because of these student aid programs. Granted that the institutions benefit directly and indirectly from the funds made available to enrolled students, it seems appropriate that these administrative costs be shared by the schools and the federal government on a 50-50 basis. Study needs to be given to the most appropriate determination of what reimbursement rate should be used, but one thing is clear—the payment must be specified in the law rather than left to regulation. The concept of reimbursement must also be extended to BEOG and GSL if institutions are to be able to provide the processing and record keeping functions being required of them by these programs.

SUPPLEMENTAL CHOICE PROGRAMS

As indicated in the philosophical justification, it is felt that the federal and state responsibility for supporting student costs can legitimately end after providing basic choice of institutions with costs up to approximately $4000-4500. Therefore, it befalls the institution whose costs exceed that level to provide assistance beyond that point. This does not seem to be unreasonable if the federal and state support called for in the other three stages or levels is forthcoming. Thus, institutions would provide assistance from their own resources or from private sources to add to the state and federal and institutional fundse utilized to reach the basic choice cost levels. This responsibility is seen as being fulfilled through existing institutional and private scholarship and loan programs, and additional specific seem to be unnecessary for the purpose of this paper.

Mr. O'HARA. The Chair will declare a recess at this time. We have two additional groups who are appearing before our hearing this afternoon and so we will return immediately following the quorum call and resume our sitting.

Will you be available at that time?

Mr. SAMPLE. Yes, sir.

Mr. O'HARA. Thank you very much.

[Short recess]

Mr. O'HARA. The subcommittee will resume.

If I can summarize your summary, Mr. Sample, apparently with respect to the BEOG program you would favor some increase in the BEOG ceiling, is that correct, the maximum grant under the BEOG?

Mr. SAMPLE. Yes. The proposal suggests that we base the amount of the ceiling on the indirect costs of what it would take for the student to reside, say, on a residential campus as a base, whatever that might be, and that would be determined annually based on some survey. It would fluctuate, based on that.

Mr. O'HARA. OK. And I assume you mean you would then support appropriations in the amount necessary to pay those maximums?

Mr. SAMPLE. Yes, sir.

Mr. O'HARA. The supplemental educational opportunity grant program would be left substantially the same. It would equal the college budget minus the sum of the expected family contributions and the BEOG award, right?

Mr. **Sample**. Yes; BEOG award minus family contribution and the BEOG award, but with an upper ceiling.

Mr. O'**Hara**. Do you feel the amount currently provided for SEOG would be sufficient to provide that?

Mr. **Sample**. We don't have aggregate national figures under the proposed scheme of things, and I hope Mr. Tombaugh will correct me if I am wrong, because we are basing this on his paper. Under the concepts advanced by the Tombaugh paper, the current levels of appropriations would probably not provide sufficient funding. That is why we indicated that the college workstudy and loan programs could also be utilized to meet that level of assistance called for in the stages where the SEOG program would be utilized.

Is that right?

Mr. **Tombaugh**. Yes.

Mr. **Sample**. Mr. Purdy too would like to comment on that, Mr. Chairman.

Mr. **Purdy**. Another needed improvement in the SEOG program is to get away from the distinction between initial year and continuing awards. This year we cannot move money from one to the other, even though there may be a surplus in one place and a deficiency in another. We had to make a guess about 18 months ago as to how we thought it was going to come out, and if we miss there is no provision for reestablishing a balance there, so we don't get the maximum utilization out of the SEOG funds as we now have them. That could be improved.

Mr. O'**Hara**. And then you would recommend continuation with some changes of the SSIG, the guaranteed student loan program and the national direct student loan program, correct?

Mr. **Sample**. Your bill suggests the abolition of the—I am not sure, you are talking about national direct?

Mr. O'**Hara**. NDSL.

Mr. **Sample**. Yes.

Mr. O'**Hara**. And then with respect to the college work-study program, you would suggest that we ought to increase the authorization amounts and then use a threshhold device on the new higher authorization amount. So in effect you are suggesting that we expand work-study by more than the bill I introduced would.

Mr. **Sample**. Yes.

Mr. **Tombaugh**. Our rationale here, Mr. Chairman, is based upon the fact that the aggregate annual approved request for work-study, even if based upon need, is $588 million for the coming year. If the need restriction is taken off, which we do not oppose, then we would just require more than $480 million to fund the program at adequate levels.

Mr. O'**Hara**. Now, if you are proposing for funding of BOG at a higher maximum, continuation of SEOG and NDSL and GSL and SSIG, and you are favoring expansion that I have advocated in work-study, and perhaps more besides, then you are talking about a program that involves a significantly larger expenditure than the one I am talking about, right?

Mr. **Sample**. That would be true if we were to achieve a meaningful response to the needs of students.

Mr. O'Hara. If we were to assume that the overall student assistance program appropriation level would be substantially the same as the most recent overall student assistance program appropriation level, which—where do you think we ought to cut back from your proposal?

Mr. Purdy. I will take a shot at that. We are saying that the programs which we have now, when provided with insufficient funding on the campus, require that we start with the students of greatest need, at the bottom of the economic ladder, and go up until we run out. I don't know of any better way of doing it, as long as we have insufficient funds. I think that is the intent of the programs, that we take care of those who have the greatest need first. This does leave the lower middle income people right at the point where we generally run out of funds and for them it is a loan or nothing.

When there is insufficient funding, I don't know that we have a better answer than to give as much grant as possible. The low income people should not be burdened with high debts. It just doesn't work out. We will go as far as we can and if there is not enough money, then at that point, from the lower middle income and up, they do not get help.

Mr. Sample. I think, Mr. Chairman, our position with respect to what the authorizations ought to be has been along the lines of the thinking of this subcommittee and the Appropriations Committee when it comes to appropriating funds, and that is that there be still maintained threshhold levels for the funding of the SEOG, college work-study and NDSL, and that we increase this funding, and the State incentive grant program, as much as possible, and we put then the remainder of whatever the budget makers within the administration and the Congress agree to into the basic grant program.

Now, the basic grant program is the floor upon which student aid is built. We feel that the college-based programs still need very much to be maintained to provide that flexibility that the aid administrator requires at the institutional level to meet the needs of students in the most effective way. I don't think we would say, unless there are additional amounts that are available for appropriations, that mix ought to be radically shifted over what it has historically been.

Mr. O'Hara. In other words, if we fail to meet any of those goals that the association is setting out, the shortfall you think could best occur in the basic educational opportunity grant?

Mr. Sample. Certainly the experience to date has indicated that the appropriations for the basic grant program are are not being spent and the aid administrators have always spent the funds that have been appropriated or allocated to them. I think that if you look at it from where we sit at the institutional level, we are able to consider a student as an individual, and if he has GI bill benefits or social security benefits or scholarship from a private corporation or foundation that may meet his total need, we still must give that student the basic grant because the law says we have to, and he may still have full gift aid, so in that sense we say to ourselves perhaps that money could have been given to someone else. So I think we would say that the college based programs have to be maintained to the fullest extent possible.

Mr. O'Hara. Mr. Eshleman.

Mr. Eshleman. We have to answer another rollcall. I will be extra brief. Did I understand you correctly at the beginning of your statement that you are indirectly requesting that you have another opportunity to appear before this committee?

Mr. Sample. We are suggesting, Mr. Eshleman, that most of our members have not had the opportunity to read H.R. 3471, and we would hope that after we have had an opportunity to have input from them and further consider the suggestions made by Mr. Tombaugh and also further testimony before this committee by others, that we ourselves might wish to come back and to expand our testimony today or answer any further questions that you might generate from the committee.

Mr. Eshleman. On a matter that is not directly related to this bill but you did testify to supporting higher SEOG awards next year, would your organization support the carryover of unused BEOG money this year into next year, that we could raise it maybe to $1,400 with the carryover money?

Mr. Sample. Mr. Chairman, Mr. Eshleman, we do have a statement that we would like to read for the record on that subject, and we have copies available.

Mr. O'Hara. I am wondering if you can insert the statement, because we are going to have to recess again for that rollcall.

Without objection, your statement will be inserted in the record.

Mr. Sample. The question can be briefly answered. It is that, yes, we will support carryover of BEOG's. It is a timing problem, and we would urge that the Congress act promptly on that particular question as well as act promptly on other related questions about which we have testified.

[The statement follows:]

STATEMENT OF THE NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS REGARDING THE USOE REQUEST FOR AUTHORITY TO CARRYOVER BEOG FUNDS FROM FISCAL YEAR 1975 TO FISCAL YEAR 1976

The authorizing legislation for the BEOG program, as you know, contains language which requires the Office of Education to spend all funds appropriated for each fiscal year. To accomplish this objective, it is necessary to project the numbers of students applying, those that will eventually enter school, what their needs will be, and several other difficult factors to predict.

Lsat year, because of these considerations and because the program was new, the Administration asked for authority to carryover $45 million which actually turned out to be $60 million. NASFAA supported with reservations the carryover request which was made last year.

This year the Administration is again requesting carryover authority for what is now estimated to be $135 million. To require the Office of Education to reaward BEOGs this fiscal year would necessitate the implementation of a very complicated process involving not only the Office of Education but every school where there is a BEOG recipient. In each case where a student's needs have already been met from other sources, revisions would be required to reclaim an offsetting amount of that other assistance, most of which will have been paid to the student and be very difficult, if not impossible to recover. This is particularly true inasmuch as it is doubtful that additional payments could be processed during this academic year although financial aid administrators will make every effort to cooperate with the Office of Education should it be necessary.

As an important aside, Mr. Chairman, may I say that the carryover would be a little less if the Administration would provide to schools an administrative cost reimbursement to partially cover the large costs of administration of the program which schools must incur. The statute does not preclude the payment of administrative costs and a statement from the Congress encouraging such a payment would be appreciated.

Because of the lateness in the timing of this request for carryover authority, and the administrative problems involved, NASFAA can agree with the Administration's request that carryover authority should be granted. Also, we agree that it would be most helpful if the Congress could grant this request within the next two weeks. If the funds are carried over into the next fiscal year, it affects the 1975–76 payment schedule and we are hopeful that this payment schedule can be finalized as soon as possible. Our reason for this is that it must be provided to financial aid administrators so that they may counsel students as to the amount of their BEOG and use the BEOG as the floor on which to structure other financial assistance. Delays in the determination and distribution of the payment table does affect the timeliness of the awarding not only of BEOGs but other forms of aid as well.

We are also faced with another timing problem which relates to the proposed rule on the approval of need analysis systems, about which we testified on Monday of this week. For the reasons stated in our testimony, NASFAA feels very strongly that the timing issue which surrounds the proposed rule is also critical. To date we have not seen any indication from the Office of Education that they are willing to withdraw or modify the proposed rule, despite almost universal objection to it. Because of this, NASFAA would not object if the Congress sought to remedy the problem of the proposed rule in the same legislation which grants carryover authority. It is desirable that action be taken on both problems at the earliest possible date.

Mr. ESHLEMAN. I will explore them. Excuse me. I have a rollcall.

Mr. SAMPLE. May I say, Mr. Chairman, we are here for the duration as long as you would like to.

Mr. O'HARA. Since we have two other witnesses, what I think we had better do, knowing the capability of your association to communicate informally as well as formally, is to excuse you now.

Thank you.

The committee will now recess.

[Short recess.]

Mr. O'HARA. The subcommittee will come to order.

Our next witness is obviously not making his first appearance before this subcommittee, but it is his first in the role of advocate for the postsecondary education community. Mr. Saunders has served with distinction as Deputy Assistant Secretary of HEW for Education until September of last year when he was appointed director of governmental relations of the American Council on Education.

Mr. Saunders is accompanied by Mr. Jack Hughes, director of policy analysis for ACE. Jack Hughes' advice and counsel has already been very helpful to the subcommittee. I promised I would not tell anyone what parts of the bill he gave me advice about.

So we will be happy to hear from you, Mr. Saunders.

STATEMENT OF CHARLES B. SAUNDERS, JR., DIRECTOR OF GOVERNMENTAL RELATIONS, AMERICAN COUNCIL ON EDUCATION, ACCOMPANIED BY JACK HUGHES, DIRECTOR OF POLICY ANALYSIS SERVICE

Mr. SAUNDERS. Thank you very much, Mr. Chairman. I must say I am happy to be before you in a new guise and I appreciate your comments about the policy analysis service. We hope it will be increasingly helpful in the months to come.

In testifying on H.R. 3471, I would like to make the point at the outset that my comments must necessarily be tentative because we have scarcely had the time to consult with our membership or analyze the implications of the bill itself since it became available in printed form two weeks ago. Neither have the other associations whose opinions we seek and attempt to reflect in our testimony had the opportunity to develop their own positions in consultation with their membership.

In addition to the alternatives posed in H.R. 3471, a further set of options was presented last week by the Carnegie Council on policy studies in higher education. And another comprehensive set of recommendations is due in April from the Consortium on Financing Higher Education. The views of these distinguished panels deserve the attention of this subcommittee, and other proposals will undoubtedly be made in the coming weeks.

On behalf of the staff of the American Council on Education, I would like to offer any assistance we can provide in the subcommittee's consideration of the full range of alternatives. We are preparing our own more specific recommendations and changes we feel to be necessary or desirable to achieve the national goal of equal postsecondary opportunity, and we hope to make these recommendations available to the subcommittee within a few weeks.

At the outset, I would like to make some general observations about the principles which guide ACE in commenting on your bill.

We begin with an awareness that there is still a very great ways to go before the goal of equal opportunity for postsecondary education is achieved. Nationally, participation in higher education is about 72 percent for high school graduates with family incomes over $15,000, 53 percent for those with family incomes between $10,000 and $15,000, and 38 percent for those with family incomes under $10,000. In addition, access is still far from equal for minority students; for example, we are disturbed that enrollment of black students has shown a real decline over the past 2 years. And while the participation rate for women in higher education has been increasing, it is still below that of men.

Further, we have just begun to meet the growing educational needs of Americans of all ages beyond the traditional "college age" of 18 to 24. In fact, an ACE study last fall showed that a majority of students in postsecondary institutions are now part time, older than the traditional college age, and for the most part already employed in the work force. These part-time students tend to be seeking higher education for reasons directly related to career aspirations. And yet, our study also showed, current student assistance laws and regulations at the Federal and State levels clearly discriminate against part-time students.

As the subcommittee well knows, the operation of the student grant and loan programs of title IV has produced increasing dissatisfaction from the standpoint of students, parents, college officials, the Congress, and the administration. The confusing complexity, uncertainty, apparent duplication, and overlapping objectives of these programs have been studied by many able people, and a variety of thoughtful proposals have been made or are in process for their improvement.

All of the proposals which have been made for restructuring of the student aid programs—and all of the suggestions which may be offered to this subcommittee in the coming weeks—have one thing in common. None of them will accomplish any improvement worth the effort involved, unless they are adequately funded.

Therefore, the problem of adequate funding is our first priority for attention in reviewing student aid legislation. We believe that now is the time to recognize that this is not simply a problem for the Appropriations Committee. All the past and future promises of equal educational opportunity remain empty rhetoric until the authorizing legislation establishes BEOG's as a true entitlement.

We already have the precedent of educational benefits under the GI bill. If veterans can know with certainty what assistance they will receive so that they can make their plans accordingly, why not every needy student whose family cannot afford to meet the costs of colleges?

Congress has already provided one entitlement in existing student aid programs: the entitlement which assures lending institutions an adequate profit for their participation in the guaranteed loan program. We believe that the top priority in amending the authorizing legislation should be to assure that students will have adequate resources from the package of grants, loans, and work-study opportunities made available from Federal, State, and institutional funds.

Our second priority is that the legislation clearly recognizes the interrelationship between student aid and institutional support. There is a false dichotomy in the assumption that the two are separate issues. Student aid is used to reimburse institutions; institutional aid is used to help improve the education offered to students. Both are part of the same stream of education funding. Total Federal reliance on student aid will not assure that students will continue to have quality institutions to attend. Some such assurances from the Federal Government are critically important today as educational costs continue to rise sharply, as many States cut back their higher education budgets, and as major sources of private giving are devastated by the economic slump. Public and particularly private institutions are finding that their quality and their very survival are threatened as these circumstances force them to cut back programs and staff, increase tuition and fees, and defer essential maintenance.

I am aware that the chairman has served notice that he is not convinced by this argument, and that he intends to separate the issue of institutional support from the subcommittee's consideration of student aid issues. We respect this desire to focus on student aid at this time, but I would like to stipulate that at a later date we will argue as strongly as we can that student aid and institutional aid are inseparable facets of the fundamental goal of equalizing educational opportunity.

I would like to comment now more specifically on H.R. 3471, first on BOG's.

I have already emphasized the need to provide a true entitlement for basic grants so that students will know what Federal aid they can expect in the light of their financial circumstances. In addition, there is an urgent need to increase the maximum award for BEOG's. The present $1,400 figure obviously needs adjustment to reflect increased living costs, which would raise the maximum to between $1,600 and $2,000. Any new figure established should provide for periodic cost of living adjustments.

The maximum established in H.R. 3471 clearly falls short; far short of the minimum costs of attending any postsecondary institution today. In 1974–75, noninstructional costs for commuting students averaged $1,600 and for resident students they averaged $1,900, at both public and private institutions. In addition, tuition and fees averaged $440 at public institutions and $1,950 at private institutions.

To reduce the maximum would represent a serious and troubling retreat from the original goal of the BEOG's program, which was to provide access to postsecondary education for all qualified students. Lowering the maximum grant from $200 to $100 would further dilute the effective targeting of Federal funds, unless a true entitlement is provided, since it would significantly increase the number of students receiving marginal awards.

The postsecondary community generally supports the provision in H.R. 3471 for removal of family assets from consideration for BEOG eligibility. A similar proposal has been made by Representative Quie. Here again, however, the result could be a reduction in funds available to the neediest students—unless a true entitlement is provided.

Most associations support deletion of the BEOG half-cost limitation, which last week's Carnegie Council report describes as inconsistent with the program's major objective of ensuring equality of opportunity. While the half-cost limitation reduces the grant for students from low-income families attending low-cost public institutions and students from lower middle-income families attending public community colleges, it does not affect eligible students attending high cost institutions.

A true entitlement would eliminate the need for the present complex schedule for reducing grants when insufficient funds are appropriated. H.R. 3471 provides a ratable reduction, under which students with the most need receive the same percentage of their entitlement as those with the least need. Absent a true entitlement, it would be more equitable to provide a floating ceiling, adjusting the maximum award downward to concentrate the available appropriation on those with the least ability to pay. With an automatic entitlement, however, the resultant certainty of funding would provide important assurance of assistance not only for the neediest students but for those from hard-pressed, middle-income families as well.

H.R. 3471 provides a trigger mechanism for funding of BEOG's which first requires funding of SEOG's at $200 million and CWS at full authorization. It is highly desirable to tie the funding of these programs together. However, the method proposed presents an anomaly: since the bill elsewhere requires that a student must receive a BEOG before becoming eligible for an SEOG, it would therefore be meaningless to fund SEOG's at any level unless BEOG's were also funded.

With regard to SEOG's, H.R. 3471 would substitute for the present supplemental educational opportunity grants an entirely new program of supplemental grants based on merit. The authorization of $200 million would provide full-cost scholarships to an estimated 40,000 students—from a population of 1.5 million eligible for BEOG's—who would receive awards averaging $4,000, as compared with the approximately 350,000 students with awards averaging $650 under the current program.

In view of the questions which have been raised concerning the objectivity of standard tests of academic promise, the problem of how students would be selected for such a program is not adequately answered in the bill. The proposal would also create a tremendous gap between the level of payments to students receiving full-cost merit scholarships and other needy students receiving BEOG's. This raises a troublesome issue of public policy. Consider the case of two students in identical need, one of whom receives a $600 BEOG while the other receives a $5,000 SEOG. Or the "notch" effect occurring when family income is a few dollars over BEOG eligibility standards, thereby losing any chance for an SEOG which might be awarded to a student whose family income is a few dollars less.

In summary, the proposal for merit scholarships is worthy of serious consideration but should be separate, we feel, from the question of student aid, the question of providing adequate assistance to all those who need it.

The proposal would also eliminate the current institutional base of the SEOG program, since awards would be made directly to the student. The subcommittee should carefully consider the implications of this step for the whole student aid system.

We believe that it is important to retain something resembling the current SEOG program as a supplemental source of assistance for low- and middle-income students attending moderate- and higher-priced institutions. At the same time the program should be improved. Recent studies have identified inequities in the State allocation formula and the system for regional panels which recommend institutional awards. Representative Quie has suggested that institutions be given flexibility to transfer funds between SEOG, CWS, and NDSL. Other suggestions have been made for coordinating SEOG's more closely with BEOG's, with the former covering instructional costs and the latter noninstructional costs. These suggestions merit careful consideration.

On SSIG's, H.R. 3471 proposes a further expansion of this program from the current authorization of $50 million in new awards annually to a level of $200 million.

We certainly favor the concept of expanding SSIG's. However, a major enlargement of the program as an instrument of national policy necessarily raises questions as to the minimum requirements which should be imposed to assure that national objectives are met. It would seem, for example, that such aid should be available to students attending both public and private institutions, although some State programs are currently limited to students in private institutions and others are intended only for those attending public institutions. Only a few States provide portable scholarships for students attending out-of-State colleges. The Carnegie Council recommends that portability be a Federal requirement for participation, in order to avoid an adverse effect on interstate student migration. Another approach would be for all States to accept the eligibility of in-migrant students.

Possibly Federal incentives rather than requirements could be useful here.

The allocation formula for SSIG's proposed in H.R. 3471 raises complex issues which demand analysis. In effect it provides a block grant to be used at the State's discretion for grants, work-study programs, or for providing additional capacity at no-tuition institutions. Certainly there are other, to us equally legitimate, policy preferences which the bill would foreclose to the States; for example, maximizing aid to low income students, encouraging enrollment at low-cost—as distinct from no-tuition—institutions, or minimizing the tuition gap between public and private institutions. Moreover, the factors contained in the allocation formula generate widely varying results in different States, due to the extreme differences among different States and regions in postsecondary enrollments relative to population, private college enrollment in relation to public, tuition levels and available places in public institutions, and personal income. Under the proposed formula some States might receive little or no funding—primarily those with a high percentage of students enrolled in private institutions. Those benefiting the most would probably be Western States with few private colleges and high enrollment levels compared to their generally small populations.

On the subject of special programs, H.R. 3471 adds veterans as recipients of special services, increases the authorization to $125 million, and amends the definition of disadvantaged students to include limited English-speaking ability. While these steps appear desirable, analysis is needed to determine whether the addition of veterans to the eligibility pool would have the adverse effect of reducing services to current eligibles. Further study is also needed to determine the impact on veterans of ending the veterans cost of instruction program as proposed.

On the loan programs, certainly, with the growing problem of defaults, the escalating Federal costs for interest subsidies and insurance payments, and the administrative problems and scandals arising out of the complexity of the FISL program, now is the time to reform and simplify the entire structure of the loan programs.

It would appear desirable to move in the direction proposed by H.R. 3471, placing basic responsibility on the State loan guarantee agencies. At the same time, we believe it is essential to retain the eligibility of nonprofit educational institutions as lenders. Some States also now have direct lending authority, and others are in the process of seeking it. Therefore, we strongly oppose the provision of H.R. 3471 which would limit eligibility strictly to commercial lenders.

We recognize that there have been abuses of the lending authority by some institutions in the past, and that tighter restrictions on eligibility may be desirable. The Office of Education has just made recommendations to deal with this problem, and the consortium on financing higher education is considering a series of eligibility criteria including the size of the institution and the adequacy of its full-time financial aid staff.

Such provisions would qualify those institutions with particular need for student credit: the higher cost colleges and universities with national student bodies and a major emphasis on graduate education.

In order to admit and support diverse student bodies, these institutions have special needs for student credit that most State guarantee agencies are unable or unwilling to meet. Such institutions also have the professional capability and financial sophistication required to act as lenders, and should be permitted to continue in this capacity. To render them ineligible for the program would, in effect, force their out-of-State students to wander about in search of a loan at a time when credit conditions make bank loans an uncertainty even for students from within the State.

H.R. 3471 retains the dual nature of the current guaranteed loan program, which provides both subsidized loans for students with family income under $15,000 (or higher if the institution affirms need), and unsubsidized loans for all others. This is one source of the program's cost and complexity. The Carnegie Council suggests that interest subsidies not only lend themselves to abuse and inequities, but are inconsistent with the view that a good student loan program should provide only supplemental assistance for needy students and should serve as a major form of assistance only for students from middle- and upper-income families who cannot qualify for grants. The subcommittee should examine this issue before continuing the loan subsidy.

In this connection, the draft position paper of the National Association of Student Financial Aid Administrators suggests that the subsidy be eliminated, but that borrowers be allowed to request that interest during the in-school period be paid by the Federal Government and added onto the principal of the note at termination of student status. While this would involve an initial Federal expense to advance interest costs, repayments would create a revolving fund which would require no further Federal appropriation, and the current heavy subsidy costs would end.

The bill under consideration would simplify the special allowance for banks from the present cumbersome rate-setting procedure to a simple formula based on the 90-day average of Treasury bills. This seems a desirable reform.

H.R. 3471 would also reduce the limit on loans, and the Chairman's obvious intent here is to deemphasize loans as a factor in student assistance. We share his concern with the rapid growth of student debt in recent years. And the implication of this trend demands serious attention.

However, it is not clear what the full impact of lowering loan ceilings would be. It could cause immediate hardships in the case of students in high-cost graduate or professional schools, for example—particularly if linked with a sharp reduction in the number of SEOG recipients.

H.R. 3471 also proposes to discontinue the National Direct Student Loan Program, and to transfer funds now administered by participating institutions to them for use in their own student loan programs. While the need for simplification and consolidation of the loan programs is undoubted, it may be premature to close out NDSL until it is clear that other reforms are in place to assure the ready availability of loan funds. The subcommittee may want to review alternative proposals being drafted by the consortium for conforming the terms and conditions of the two existing programs. Such a synthesis of the two programs would remove the anachronistic NSDL interest rate of 3 percent which H.R. 3471 would continue. It would also discontinue loan cancellation provisions which have outlived their usefulness.

H.R. 3471 places major emphasis on the college work-study program, significantly increasing its authorization, changing the State allotment formula to a more equitable proportional enrollment basis, adding a new job creation program and requiring payment of the minimum wage.

These are useful improvements, although the proposed increases in authorizations fall substantially short of estimated need. The $480 million level proposed in Fiscal Year 1977, for example, which would be allotted in academic year 1977–78, is at least $100 million short of panel recommendations for the current academic year. The proposed level is even more unrealistic since the bill would remove any need requirement from work-study.

We oppose the elimination of preference for students in greatest financial need. Work-study is an essential component of student aid packaging, and opening up the program to all income levels would undermine this concept, unless funds were sufficient to meet the total demand. While emphatically concurring with the Chairman's principle that work-study opportunities should be available for all, we believe that students who must have work opportunities in order to continue their education should have first priority on available jobs.

It may be that the solution to this dilemma is provided in the bill's imaginative proposal for a job creation program to assist institutions in paying the cost of finding and creating jobs in the locality. If this proves effective, enough jobs might be created—both work-study and otherwise—so that there would be no need to ration employment.

I would just like to comment briefly on several sections of part F, the general provisions relating to student assistance programs. Section 493(a) provides for continuation of the 3 percent administrative cost allowance for institution-based grant programs and CWS. We believe that this allowance should be extended to the BEOG program, which demands a great deal of the time and attention of student aid officers in terms of interviewing students and collecting and processing of information and applications, regardless of the fact that the program is not "campus based." Our data on the extent of administrative costs of these programs also suggests that 5 percent would be a more reasonable allowance taking into account the "packaging" responsibilities of the institutions.

The general provisions also direct the National Institute of Education to conduct experimental programs concerning the effect of open admission or no-tuition policies on student access and choice and institutional viability, as well as research on bias-free tests. These questions should have a high priority on NIE's agenda, although we have a reservation in principle about adding increasing earmarks and directives to NIE's general research authority.

In summary, H.R. 3471 would effect a number of undoubted improvements in current student aid legislation. It would also bring about some major shifts in public policy—the lowering of BEOG maximum awards, the substitution of a merit scholarship program for SEOG's, and the prohibition of educational institutions from continuing their eligibility as lenders. We have grave concerns that such changes would have the reverse of the effect intended: That they would seriously limit access to postsecondary education for needy students, and threaten the continued existence of private institutions and their contributions of educational diversity and student choice.

For these reasons we believe it is especially important for the subcommittee to consider the principal recommendations of other organizations and study groups before marking up the bill. Some important recommendations have only been made within the last few days. For example, the Carnegie Council's recommendation to add a tuition offset program to SSIG's to implement the recent report of the National Council of Independent Colleges and Universities is an important proposal which deserves careful attention. So does the idea of pegging BEOG's to the national average of noninstructional costs.

The Carnegie suggestion of a national student loan bank should be considered together with the recommendation which will soon be made by the Consortium on Financing Higher Education for consolidating the loan programs with a single set of interest rate, repayment, grace and deferment provisions, clarifying the role of institutions as lenders, and under certain conditions giving them access to capital through full use of the services of the Student Loan Marketing Association. In addition, ACE is developing a proposal for an education security fund to encourage savings in advance for future educational costs, with parental contributions invested in public and private securities. We hope to be able to present this proposal to you within a few weeks.

All of these proposals raise issues of great importance and complexity which require the most careful analysis and discussion in the weeks ahead. The American Council on Education stands ready to provide any assistance we can render to the subcommittee as it begins the critical task of writing the Education Amendments of 1975.

Mr. O'HARA. Thank you very much, Mr. Saunders.

Mr. Eshleman, do you have any questions?

Mr. ESHLEMAN. Yes, I have two or three.

I want to ask of this witness, the same as I asked former witnesses, would your organization support the carryover of unused BEOG money to next year's BEOG award, which conceivably could raise that to $1,400?

Mr. SAUNDERS. Yes, we would, Mr. Eshleman. We feel it would be the best thing that could happen to the program at the present time if it could reach the maximum schedule and provide full payments under the program. It would provide the first real test of the effectiveness of the BEOG program. We feel that a good cause, a major cause of the underutilization in the program which now exists is the fact that awards have been so insufficient and at such low levels. We think the distribution of the funds under the current year as provided as required by the law would be a tremendous waste of the money and an ineffective use of student aid funds.

So in the practical sense of doing the most good, we think the objective of providing maximum BEOG awards is the overriding one.

Mr. ESHLEMAN. Second. I am sure you have studied Mr. O'Hara's bill more than I have up to now. Would it be true that under Mr. O'Hara's bill, if the student is, say, of average ability but a very needy freshman, he could get enough money to attend a high-cost institution, or aren't we in effect with this bill channeling all needy students into low-cost institutions?

Mr. SAUNDERS. That would be my concern in Mr. O'Hara's proposal for SEOG's, and, as I said in my testimony, it seems to me the main scholarship idea is a very important one. I would like to see it. I think it is an idea which can be separated from the question of how we provide for effective and adequate assistance to all students who need it to go to college.

Mr. ESHLEMAN. And the third question is very general. Of all the college students receiving aid, what percentage of that is loan aid?

Mr. SAUNDERS. Jack, do you know?

Mr. HUGHES. Are you asking in terms of dollars?

Mr. ESHLEMAN. I realize that is a very general question, but if we are considering abolishing loans in this bill, I was just wondering what the percentage——

Mr. SAUNDERS. I pointed out in my testimony, Congressman, that the use of loans is reaching a point which really is increasingly a matter of serious concern. Individual loans is excess of $1,000 were 5 percent of FISL loans in 1968 and now account for over 43 percent of all loans, and 59 percent of the total dollar volume, and I think this is——

Mr. ESHLEMAN. Are you saying in effect that students are making—institutions or students are making—too much use of loans?

Mr. SAUNDERS. I am saying that the inadequacy of available grant and work-study funds has made it—has channeled student use into loans, and to the extent that loans are used to meet the expenses of very low income students, I think that raises a very serious question of public policy. In effect, what you are doing is making the lowest income students, if you are encouraging them to use loans, to pay two or three times the cost of their education as a wealthy student from a wealthy family.

Mr. ESHLEMAN. That is all, Mr. Chairman.

Mr. O'HARA. The long and short of it is that the present program, the program that you advocate, the program that I advocate, will not permit needy students to go to high-cost institutions unless we start appropriating a lot more money.

Mr. SAUNDERS. That is the long and short of it. And, Mr. Chairman, I can only comment that the present authorization comes just so close but not quite close enough. Again, the opening phrase of section 411 of the Basic Educational Opportunity Grant section, says "The Commissioner shall pay to each student a basic grant in the amount for which that student is eligible." That is an entitlement. And then it is taken away in the reduction language. It is like saying social security payments benefits will be paid except when Congress decides to lower the benefits.

Mr. O'HARA. That's right, and then it lets the administration determine what shall be the reasonably expected family contribution——

Mr. Saunders. Yes.

Mr. O'Hara. Which they then promptly proceed to use as a rationing device.

Mr. Saunders. This shoe-horns the official definition of need into the funds the Office of Management and Budget feels it will allocate for that year.

Mr. O'Hara. So on these two scores, both in the terms of what is a reasonably expected family contribution, which under present schedules, is quite unreasonable, and the appropriations level, when we give with the one hand and take away with the other.

Mr. Saunders. It certainly concerns me, Mr. Chairman, as someone who has had a part in some of the rhetoric that has been thrown around in recent years about the need for equal opportunities, and it just seems to me, the more I think about it, that we have got to be frank with everybody and be honest about what we are trying to do. If we are really out to provide adequate assistance to see that every student in financial need has the opportunity for postsecondary education, it has got to be on the basis of an entitlement, otherwise you are just kidding everybody.

Mr. O'Hara. You see, what I am trying to do is tone down the rhetoric, because, frankly, I don't see the appropriations to meet the rhetoric in the immediate foreseeable future, and so what I tried to do is to lower the expectation a little bit, in other words to say, well, we make no pretense that we have enough help here so that a student can attend any institution he wants.

Mr. Saunders. I think there is great appeal in the Federal role of at least assuring that a student has the opportunity to get to the door of an institution and then that the mix of Federal-State-private funding comes into play, which——

Mr. O'Hara. Well, I think there is a certain value to saying this, all right, we are going to make sure that—and certainly this is a much more realistic expectation and promise to make under present circumstances whatever our goal might be, our ultimate goal—that every student will have available to him sufficient funds so that he can obtain a low-cost education. At least he will be able to do so if he takes advantage of a job opportunity——

Mr. Saunders. Yes.

Mr. O'Hara. That is a lot more realistic aspiration. That is not my final goal, you understand, but in terms of the money available or likely to be available, I am wondering if that isn't the kind of promise we ought to be making, rather than the——

Mr. Eshleman. Will the gentleman yield?

Mr. O'Hara. Yes.

Mr. Eshleman. In the dialog between you and Mr. Saunders, unless I am missing the point, aren't we ignoring those States that have a good student aid program now and many of them do; won't they bridge this gap? We tend to talk as if there is no State student aid program in existence. Won't that bridge the gap as far as getting into higher cost institutions?

Mr. Saunders. Well, to the extent that we build up SSIG's, but State student assistance now is about half a billion out of the total $6 billion student assistance bill, isn't it?

Mr. **Hughes.** $6.5 billion.

Mr. **Saunders.** $6.5 billion.

Mr. **Eshleman.** I think you find that half billion lies in about 3 or 10 States, so I mean in 8 or 10 States it is a better picture than you have painted.

Mr. **Saunders.** Well, that is true, but that, of course, gets right back to the Federal responsibility. There are a number of states——

Mr. **Eshleman.** It is only Federal—excuse me——

Mr. **Saunders.** No, no, it isn't.

Mr. **Eshleman.** Is this solely Federal or is this a joint effort between State and Federal?

Mr. **Saunders.** It is a joint effort, certainly.

If I could just comment on your remarks about reality, Mr. Chairman, I would certainly believe that we should be as realistic as possible, but I would just like to raise the question of whether we are really being realistic if we continue to accept proportionate reductions in spending for higher education which have occurred over the last few years—and this was the point I was trying to address myself to in my testimony to the budget committee last week, pointing out that there has been a declining proportionate share of the Federal budget going to higher education, and I am not sure it is realistic for us to say, yes, we ought to sit there and accept a continuing decline.

Mr. **O'Hara.** Well, I think that is so, but I have to tailor this suit to fit the cloth a little bit. I can design a program right now that will provide the full cost of instruction for every youngster in America, and then I will do it with tongue in cheek, knowing good and well that appropriations will be a small amount, and then I can join the general hurrah in saying it is the damnable appropriations process that ruined this beautiful program of mine. I don't know if that is the responsible thing to do or not.

Mr. **Hughes.** Do you think there is any precedent to go by here, Mr. Chairman, in the benefits for the veterans, in terms of the GI bill, the fact that there is, first of all, a representative allowance for the veteran and also there is a legal guarantee to the veteran that payments will be made in full? Isn't that the authorization, a precedent somewhat?

Mr. **O'Hara.** Well, if the Congress appropriates the money.

Mr. **Hughes.** They have never failed to do it.

Mr. **O'Hara.** No, they haven't. They have failed to appropriate lots of other funds. So I don't know that there is an exact parallel. I don't know that the fact that I write a bill that says that we should do it that way is going to mean that it will be done that way——

Mr. **Saunders.** Well, as I——

Mr. **O'Hara** [continuing]. especially with the new budget concepts.

Mr. **Saunders** [continuing]. as I suggested in my testimony, one of the major problems that we have with the student aid programs right now is the uncertainty, and it seems to me that the very high priority for dealing with that problem, has to be providing the certainty that some kind of assistance, namely the basic grants, is provided and assured, and certainly we all recognize we can't have everything we want, and we can't meet absolute needs, or total needs, whatever that may be. But if you establish the BEOG's as some kind of basic grant that everyone knows they are going to get if they meet the conditions, then you can stabilize the whole student aid picture to a far greater extent than it is now.

Mr. O'HARA. All right, then I will ask you the question I asked the people from the National Association of Student Financial Assistance Administrators. If we were to design the program to authorize doing these things that you have been talking about in your testimony, and there was a shortfall in the appropriations, where would you recommend that the shortfall should come out, out of BEOG's, or should it come out of the other——

Mr. SAUNDERS. Well, I think that depends on what you are appropriating for the different programs. I would think BEOG's would be the first priority. I would say work-study and State student incentive grants would be the next priorities. And to the extent that those are funded, that would relieve a great deal of pressure on SEOG's. Theoretically over time, as the Carnegie Council report points out, the SEOG program could very well be phased out. Right now we need it, but to the extent that you put your money on BEOG's as basic grants, and on work-study and State student incentive grants, you reduce the need certainly for SEOG's.

Mr. O'HARA. Well, then, your answer is somewhat different than Mr. Sample's answer was.

Mr. SAUNDERS. I guess it is.

Mr. O'HARA. With respect to the SSIG's as proposed in my bill, your testimony indicates that the State would not have the option to use them, to use the SSIG funds to make need based grants to students. I would wish to state for the record that that would certainly be one of the options available to the State receiving SSIG funds. They could use the funds to make grants to students and the grants could be need based or could not.

Mr. SAUNDERS. I am sorry if I gave the wrong impression in testimony. I meant to refer to the factors involved in the formula, which states some specific national priorities, and I was suggesting that there could be other national priorities that could be factored into a formula.

Mr. O'HARA. And in the formula you indicated that it would operate more unfairly in that it would provide the least money to those States having the highest proportion of their students attending private institutions and the most money for those States having the highest proportion of students attending public institutions. That would be so only if the State having a large proportion of its students at private institutions does not provide any significant help to those students in meeting the costs of their education.

Mr. SAUNDERS. That would be true.

Mr. O'HARA. If they provided a lot of help to those students in private institutions, then they could receive just as much.

Mr. SAUNDERS. But obviously it would be of no help to them early in the initial years of that kind of a program.

Mr. O'HARA. Well, if they increased——

Mr. SAUNDERS. To the extent that they increased, yes.

Mr. O'HARA. The first year, yes. If we have a theoretical State X which has almost all of its students in private institutions or by far the largest proportion of them, and it isn't providing any significant help to them, it would get very little the first year and it would not really get that much money until it started making a greater effort on its own, that is true.

Well, Mr. Saunders, thank you very much for your testimony, and, Mr. Hughes, thank you for coming.

Mr. SAUNDERS. Thank you, Mr. Chairman, and we look forward to being of any assistance.

[The following letter was submitted subsequently:]

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., March 18, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Postsecondary Education, Committee on Education and Labor, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is to provide supplemental information on several points raised in my March 12 testimony before the Subcommittee on Postsecondary Education:

1. In response to your question on priorities for budget reduction of student assistance programs, I discussed only the grant programs. Of course the greatest potential for budget reductions lies in the interest subsidies and special interest allowance for the Guaranteed Student Loan Program, which now amount to $267 million and $182 million respectively. Their total of $449 million represents the fastest growing and second largest component in the student aid budget, and the least productive in terms of needy students. Thus, amendment of the current authorizing legislation to reduce this rapidly rising cost would be my first priority area for reductions.

2. On the question of carryover of BEOG funds from FY 74 to the FY 75 appropriation, I would like to add one further reason for support of such a carryover. Grant recipients for the current year will in most cases be the recipients of awards next year. Therefore, if the unused portion of BEOGs is carried over, it would go to the same students for the next year of their education. Awards for the 1975-76 year will be made from payments issued by September 1975, whereas, if FY 74 funds are not carried over, they would entail a recalculation of awards which would not be redistributed to current year students until December. Thus, it appears that carrying over the unused BEOG funds would provide the quickest as well as most effective way to increase student awards.

3. Brief reference was made at the March 12 hearing to the issue of student bankruptcies. On March 13 my colleague, Sheldon Steinbach, testified for the American Council on Education before the Subcommittee on Judicial Improvements of the Senate Judiciary Committee on a proposed amendment of the bankruptcy law as it relates to student loans, and I enclose a copy of our statement.

It is our position that the proposal set forth by the Commission on the Bankruptcy Laws of the United States presents a flexible, workable and equitable solution to the increasing problem of students who have discharged their obligation to repay educational loans by declaring personal bankruptcy. The Commission's proposal, embodied in S. 235, would—unlike the Administration's proposal—cover *all* educational loans and would provide for susension of discharge of educational loan debts for five years provided that "undue hardship" is not imposed on the debtor.

I would appreciate having this letter and the attached statement entered into the hearing record following my testimony.

Sincerely,

CHARLES B. SAUNDERS, Jr., *Director.*

Enclosure.

STATEMENT OF THE AMERICAN COUNCIL ON EDUCATION

(Joined by American Association of Community and Junior Colleges, American Association of State Colleges and Universities, Association of Jesuit Colleges and Universities, National Association of Student Financial Aid Administrators, and National Catholic Education Association)

Mr. Chairman and Members of the Subcommittee, I am Sheldon Steinbach, Staff Counsel and Assistant Director of Governmental Relations of the American Council on Education. I appear here today on behalf of my own association and those higher education associations noted on the cover sheet of my written statement.

The American Council on Education, an association of 179 national and regional educational associations and of 1,386 institutions of higher education throughout the United States, has specific interest in clause (8) of section 4-506(a) proposed by the Commission on the Bankruptcy Law of the United States. This section would suspend discharge of educational loan debts for 5 years provided that "undue hardship" is not imposed on the debtor.

Present law excepts educational debts from discharge only where the debtor has obtained the loan through fraudulent representation of his financial condition. In recent years there has been a noticeable increase in student bankruptcies. In testimony delivered two weeks ago, U.S. Commissioner of Education Bell stated that student loan bankruptcies have grown "from 1,342 totalling $1.6 million in FY 1972 to 2,914 totalling $3.8 million in FY 1974." One should note, however, that as a percentage of total defaults, bankruptcies are still a relatively small part of the problem, although with the worsening economic situation and the increasing numbers of students who have taken out loans over the past decade, it may be anticipated that the incidence of personal bankruptcy involving education loans will substantially increase.

There has been much comment in the press in recent months concerning students who have discharged their obligation to repay educational loans under the Guaranteed Student Loan Program by declaring personal bankruptcy. It is asserted by some writers that the increase in student bankruptcies is motivated in substantial part by the desire to avoid payment of educational loan debts. Aside from the citation of specific horror stories, the general student and post graduation bankruptcy picture is unclear as to what are the real circumstances and motivations behind the individual actions taken.

It is our position that the proposed statutory amendment for a limited dischargeability of education loans is an equitable and flexible solution to a complex situation. Suspending dischargeability of educational debts for 5 years presents a realistic time frame for meeting and enforcing obligations.

Barring educational debts from discharge during the in-school period and the first five years of repayment will erect a necessary barrier to graduates and dropouts who deliberately seek to dissolve their repayment obligations at a time when their assets are at a minimum. Even though students will continue to default on loans, some losses may be recovered under the proposed amendment whereas they would be totally discharged in a bankruptcy proceeding under present law.

The option of discharge within 5 years where the debtor can demonstrate "undue hardship" provides a useful additional safeguard. This provision if supported by the report language of the Commission will enable referees to distinguish between individuals who have contrived to secure an unjust enrichment through the operation of the bankruptcy law and those who have realistically fallen on hard times and who deserve the benefits of the general "fresh start" policy of the Act.

In our view, the proposed statutory solution would help ensure equitable treatment of debtors and creditors, and provide a necessary underpinning for continued public and Congressional support of educational loan programs. We support its inclusion in any bankruptcy reform legislation which the Committee may develop.

Mr. O'Hara. We have one more witness before we conclude today. I think it is appropriate we started out with a student witness, and I think we ought to conclude the hearing as we began it with a spokesman for the students who I hope will be the primary beneficiaries of whatever legislation we come out with. This symbolism of having the industry stand between two consumer groups at this hearing is not accidental.

The concluding witness will be Jay Henderson, speaking on behalf of the National Student Lobby.

STATEMENT OF JAY F. HENDERSON, LEGISLATIVE DIRECTOR, NATIONAL STUDENT LOBBY

Mr. **Henderson**. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to review the provisions of the Student Financial Aid Act of 1975, H.R. 3471, which amends the Higher Education Act of 1965.

The following statement is intended to provide a brief overview of the provisions of this legislation from the student's perspective. It contains both (1) general principles we feel are important in any student assistance legislation, and (2) specific recommendations as to H.R. 3471.

At the outset, I would like to say we have seven sets of recommendations based on seven principles which constitute the core of today's testimony.

In brief, those principles and recommendations are as follows. Each is further amplified in the detailed testimony attached.

Principle 1. To insure authorizations keep pace with the economy: We recommend that the BEOG must be pegged to $1.600, that student aid authorizations must be viewed in relation to national priorities, and that students' share of the national budget must not decrease.

Principle 2. That grants should be based more on need than should work-study and loan programs: We recommend that the SEOG should remain need based, that there should be a need standard albeit a lesser one, required for work-study, and that access to loan programs should be a matter of right.

Principle 3. That eligibility standards should be determined by Congress: We recommend eligibility should be clearly differentiated from need and that Congress should conduct an annual review of the eligibility standards.

Principle 4. Do nothing to further encourage existing loan programs: We recommend that institutions and States should continue to play some role in loanmaking, that students from the top income-quartile might begin to pay interest while still in school, that protection should be provided students from low-income families, that deferred GSL payments for hardship should be allowed, and that the national direct student loan program is still vital and should not be abolished.

Principle 5. Encourage further Federal-State partnership: We recommend the emphasis on SSIG as contained in H.R. 3471, and urge a limit on the substitution of SSIG work-study dollars for grant dollars.

Principle 6. Consumer protection must come to post-secondary education: We recommend there should be fair and equitable tuition refund requirements and there should be truth-in-advertising requirements, as contained in the bill.

Principle 7. The role of students should expand both in individual process and in student groups involved in administration: We recommend the establishment of a student financial resources committee on every campus, that there should be provisions for local dissemination of BEOG information, and that this should include an options handbook. We recommend that all aid programs should have procedures for review of need and eligibility based on current year need; and that, in constructing the Federal student financial assistance programs, student appeal procedures and other elements of due process should be established by Congress.

BEOG—On the basic educational opportunity grants, the BEOG program should be a true entitlement program in which a student has an individual right to full education benefits based on need. The maximum BEOG should be a figure large enough to cover, if necessary, 100 percent of an eligible student's cost of attendance, to ensure equality of opportunity.

The average cost of attending a public 4-year collegiate institution as a full-time undergraduate in 1974–75 was about $2,400 for students residing on campus, and $2,085 for students commuting from off-campus residences, according to the College Entrance Examination Board.

The provision of part A, section 411, paragraph (a)(2)(A)(1) of H.R. 3471 which limits the amount of the maximum grant to either $600 or the maximum BEOG paid during 1975–76 is insufficient.

The BEOG program is the cornerstone of Federal student assistance programs. It must not be slighted and should, as a general principle, be authorized to fund a maximum grant of $1,600.

The limitation of $600—or even $800—in maximum BEOG size affects in a discriminatory manner students from low and middle income families who attend relatively low-tuition colleges and universities. Under the current law, students with expected parental contributions of $800 or less could realize a BEOG of from $600 to $1,400. These same students, most of them from average or below-average income families, stand to lose every dollar over $600 if H.R. 3471 becomes law. On the other hand, students from advantaged, above-average income families will not be affected at all by this new formula.

By limiting the maximum basic grant to $600, this bill threatens to prevent a portion of the more needy college students from actually being able to attend the institution of his or her choice.

A further byproduct of this provision would be to pit one kind of student against another in the very limited arena of student financial resources.

SEOG—In the past, the Supplementary Educational Opportunity Grant Program, has provided additional money to exceptionally needy students. The program affords campus financial aid officers necessary flexibility in adding to a student's financial aid package if the individual can demonstrate need. The SEOG program should remain a need based program and should not be expanded to include merit as a factor determining eligibility.

The provision of H.R. 3471 which requires a demonstration or promise of outstanding academic performance is inappropriate.

If all existing Federal student assistance programs were authorized at a level which would ensure sufficient access and choice, and if additional monies were still available, the consideration of merit in the award of federal aid might begin to play a role.

But even under the best of circumstances, the consideration of merit is fraught with inequities and open to manipulation. Is it equitable, we ask, to argue that a student who does well in a national merit scholarship evaluation should benefit financially, when it could just as easily be argued that a student who does less well should reap the benefit of a Supplementary Grant because he or she has demonstrated a need for further assistance in an effort to pull even with the rest of the students?

Furthermore, because of certain cultural biases or academic privileges a student may or may not have, fair and equitable evaluations of merit are difficult to achieve. If they are not perfectly accurate, these evaluations inevitable wind up discriminating against minorities, the disadvantaged and the poorly-educated.

I would like to insert in the record a copy of a column by William Raspberry which appeared in the November 20, 1974 edition of the Washington Post. It follows my testimony, and is entitled "Teaching the Skills of Test Taking." In his column, Mr. Raspberry introduces an individual who is a member of the education faculty of the University of Massachusetts, Dr. Marsha Rudmon. Dr. Rudmon does not believe that there should be standardized tests, because there is no such thing as standardized curriculum. She speaks of techniques or skills in test-taking which can be taught to a student. The purely mechanical ones, she says, will raise scores by about 6 months immediately.

The point to consider here is does the committee wish to deny an exceptionally needy student an SEOG simply because that student does not score in the top 25 percentile of the national merit scholarship test? There is no way more certain to expand the education gap between the "haves" and the "have nots" in our society than to base the SEOG program in merit. The role of merit consideration in SEOG is premature while other student aid programs continue to be either authorized at levels too low or partially funded.

College Work-Study—On the College Work-Study Program, Mr. Chairman, the National Student Lobby thinks your provisions for marked increases in this program are especially worthy of commendation.

We heartily concur in the provisions which would authorize increased funding by $30 million annually and which would make College Work Study jobs ineligible for a subminimum wage.

LOANS

On the subject of loans, we believe Federal policy should not encourage the growth of greater loan debt burdens on students, nor should it encourage loan programs which have repayment periods beyond 10 years. Federal policy should work to define a proper balance between grant, work and loan components so that the loan burden does not begin to mentally mortgage an entire generation of students. Loans should not be based on need.

The National Direct Student Loan Program provides interest-free loans while the borrower is in school; the loans accrue interest at the rate of 3 percent annually during the repayment period after graduation. NDSL's constitute an important part of the student assistance program and should not be eliminated.

Because of the lower interest rate of 3 percent and the more equitable repayment plan which allows for hardship and unemployment, the NDSL program is a better program, qualitatively, than the Guaranteed Student Loan Program, which entails a 7 percent interest rate and repayment schedule beginning 9 months after graduation regardless of extenuating circumstances.

Low interest NDSL's should be available as a matter of right and as a last resort to needy students, particularly to students not able to get other loans.

Guaranteed student loans must, similarly, be available as a matter of right to students regardless of the credit status of student's parents. In relinquishing full responsibility and authority for determining loan eligibility to commercial lending institutions, as provided in H.R. 3471, the Congress would create a situation destined to discriminate against the have nots. We agree with the Chair's desire to curb the present trend toward more loans and away from grants and jobs. We do think, however, that allowing the credit standing of a student's family to become a factor in student loans, as it will inevitably become if the bankers and their brothers totally take over, will unfairly deny equality of opportunity to the students of low and middle income families who, as a realistic matter, will not be able to secure adequate grant and work aid to finance their education.

SSIG's—the National Student Lobby applauds the language of H.R. 3471 which will effect a greater partnership between State and Federal student assistance programs. Federal policy should be designed to encourage States to devote greater resources for need-based student-aid programs which allow students the maximum choice of postsecondary programs. The tenfold increase between the current appropriation of $20 million and authorization of $200 million for the SSIG program is just what the doctor ordered.

The National Student Lobby also concurs that the States which choose to match Federal SSIG funds should be given further flexibility in being allowed to use those funds for a combination of grant and work-study programs.

It might be worthwhile to safeguard student interests against possible wholesale substitution of work dollars for grant dollars by including in H.R. 3471 a suggested ratio of SSIG funds to be spent on grants in relation to work study. For example, the Federal ratio of dollars for grants to dollars for work study in fiscal year 1975 will be about 3 to 1. States should be encouraged to adhere as closely as possible to a parallel ratio on the local level. The purpose of such a suggested formula would be to prevent an inordinate proportion of SSIG money from being spent on work study in lieu of grants.

AUTHORIZATIONS

On the authorization levels, I have here a quote from an article in the Chronicle of Higher Education:

> "I think they should lend me something," says this girl, "but I haven't applied yet. I am worried because I don't know. If I don't get the scholarships, will I be able to get loans fast enough for the next year? If the money doesn't come through, oh, boy, I'm dead."

With these words, a high school senior named Anita living in the Chicago area, recently summed up the difficulties students generally experience in availing themselves of Federal and local student assistance programs; there is always the worry that the money will not come through. With your permission, Mr. Chairman, I ask that the text of this article, from which Anita's quote was excerpted, be inserted in the record.

The authorization levels contained in H.R. 3471 do little to alleviate the concern of students that the money they have to have to go to school will not be there when they need it.

If I may, I would like to direct the attention of the committee to the chart following this testimony entitled Federal Student Assistance; 1971–80. Starting from the left-hand column, the chart shows the growth of Federal moneys expended for the six student financial aid programs currently authorized under title IV of the Higher Education Act.

From 1976 through 1980, the columns display the figures authorized by H.R. 3471 except for the guaranteed student loan program expenses which are projected from the 1975 level of $654 million upward at an annual rate of 7 percent.

The next to the last column contains figures revealed last week by the Carnegie Commission, except that the chart refers to current dollars whereas the Carnegie Commission's figures were based on constant 1974 dollars.

The final column contains only the total amount of expenses for student aid as projected by the National Student Lobby solely on the basis of 1975 outlays inflated annually by 7 percent.

As you see, the Carnegie Commission has predicted that almost $5 billion will be needed for title IV student assistance programs in 1980. Maximum appropriations possible under H.R. 3471's authorizations for the same year total $2,762 billion, a figure exceeded if the 1975 title IV budget of $2.203 billion is inflated annually at only 7 percent, which encompasses both inflation and increased eligibility. In other words, Mr. Chairman, the authorization limits called for in H.R. 3471, even if they are fully funded, are not sufficient to keep pace with the most modest estimate of inflation.

If our economy does manage to return to an inflation rate of 7 percent, averaged over the 4-year period that the bill is expected to cover, student assistance will not even be able to hold its head above water.

If inflation fails to return to an average of 7 percent, levels of student aid will go down even further, in spite of the yearly increases called for in H.R. 3471.

And even if inflation is kept in check, the increased eligibility pool of part-time students, higher income students, newly independent students and others will gradually eat into the financial aid pie.

From a macro-economic view, the Carnegie Commission points out all student aid programs will amount to only .66 percent of the gross national product in 1980, compared to the percentage of .64 of the GNP spent for higher education student aid in this year. The projected total for student assistance in 1980 under H.R. 3471's suggested limits, when added to the other student aid programs, would reduce that percentage to .46 of 1 percent of the GNP.

Mr. Chairman, a $1,400 BEOG grant, for instance, was originally thought necessary to fully fund a year of college. This year, the maximum BEOG will probably be around $800. What concerns me, if we are talking today about 1980, is what does the Congress intend to do about inflation and the dismantling effects it is having and will continue to have on student aid?

The National Student Lobby believes the authorization limits contained in this bill overall to be too low to keep pace with inflation and increased eligibility, and too meager in relation to a growing gross national product.

The inevitable result of decreased student assistance at a time when student costs are moving upward will be a large attrition in the number of new enrollments each year. The 1973 National Commission on the Financing of Postsecondary Education reported that for every $100 increase in costs, 2.5 percent of the students in the country are forced out of college.

Today, a 4-year public education costs about $8,000. Last month the New England Board of Education reported a child now 5 years old will have to pay $30,848 for 4 years of public college education. Unless student assistance keeps increasing in amounts sufficient to exceed inflation and increased eligibility, the ultimate goal of free postsecondary education for all persons will be seriously jeopardized.

It may already be too late. The National Student Lobby predicted on October 9 of last year that decreased student assistance would as much as create a new form of the military draft system. Because of less assistance and rising costs, more students are seeking haven in the Army. The newspapers of February 24, 1975, carried the news that the Army's recruitment has been so successful recently it now intends to drop the 2-year minimum enlistment in favor of a 3-year minimum.

According to the Pentagon, the average cost for 2 years of training, allowances, travel, et cetera, paid out for a young student who is forced to enlist in the Army is $22,500, or $11,000 a year—a figure which far exceeds the assistance which would have been required to help that student finish college.

It is a small wonder that high school graduates are finding the Army more attractive when one stops to consider the advantages. The amount of income foregone by students who would otherwise be employed, is a very important factor from the student's point of view. It has a definite impact on the educational decisions of students and potential students. This lost income can be especially important as a barrier to those from low-income families. Loss of income can be avoided if the student gives up the hope of going to college and joins the Army. "In the best of all possible worlds," the hard pressed student may say to himself, "I could find a way of earning an income at the same time I go to school."

Henry David Thoreau once said, "It is impossible to give a soldier a good education without making him a deserter." In spite of this prophecy, the U.S. Army has recently announced a new program called "Project Ahead." The program is a plan paid for by the Army which lets an individual enlist in the service and start college at the same time. The soldier draws pay, does duties and participates at the same time in a plan which can lead to a college degree. Seventy-five percent of the tuition for college courses will be paid for by the Army. A two-page advertisement appeared in the March 9, 1975, issue of Parade magazine explaining Project Ahead.

Mr. Chairman, that advertisement alone cost the taxpayers $214,000—enough money to fully finance one entire year of public education for 100,000 young college students.

I am not pointing this out to disparage the efforts of the Army to recruit a high-quality volunteer corps of soldiers. Rather, it is necessary to understand that increased Army enlistments, increased unemployment and, as some maintain, increased crime amongst school dropouts are only several of the side effects insufficient authorization levels of student assistance programs will have. Are we, in the cases of increased unemployment and crime, prepared to pay the price we avoid paying by underfunding student aid? In the case of Project Ahead, are we not in the truest sense robbing Peter the student to pay Paul the soldier?

Mr. Chairman, I have several additional recommendations which I would like to touch on this afternoon.

We recommend local dissemination of BEOG information. While we recognize the usefulness of current methods of getting the word out about the BEOG and other Federal and State student aid programs, the National Student Lobby believes there is a definite and demonstrable need for an intense, localized, media and advertising campaign. This campaign would utilize local contacts with community agencies and organizations, local contacts through parent, counselor and teacher organizations, and direct local contact of high school students, particularly in areas of high BEOG applications.

What is needed is an expansion of the number of community organizations and agencies involved in providing BEOG information, a broader media and advertising campaign to explain BEOG and to increase the awareness of high school students to the existence of the program, and the wider involvement of high school and postsecondary students themselves into the information dissemination process.

We recommend that language be added to section 411 as follows: The Commissioner shall carry out a comprehensive annual program of information dissemination to students and prospective students (including information disseminated through students and prospective students' families, peers, counselors and financial aid administratives, national, State, and local public and private nonprofit educational and counseling agencies, and mass media) about Federal student financial assistance programs, centered around the BEOG program but including information about all programs whether or not administered through the Office of Education. This program shall include training activities for counselors, financial aid administrators, business officers, student financial resource committees, and shall be coordinated with current activities of talent search, educational opportunity center programs and other programs designed to make available information in aeras of high potential eligibility for BEOG programs.

We recommend that all aid programs should have procedures for review of need and eligibility, which is based on current year need. All student assistance programs should have administration procedures for full review and hearing on issues concerning their need and their eligibility, based on current year need determination. This procedure should be part of an overall effort to involve students directly in the decisionmaking process of financial assistance at the Federal, regional, State, community, and institutional levels.

We recommend that a student financial resources committee be established on each campus which has students eligible to participate in any Federal campus-based or campus-administered student financial assistance program.

We feel that it is imperative that students have a right to a hearing on financial aid determination, that due process standards and procedures should be applied in the distribution of student financial aid. As financial aid becomes more of a right than a discretionary benefit, it becomes clearer that minimal standards for hearings, institutional policies for awards and rationality in determining eligibility are necessary.

For example, in our testimony last fall on the BEOG family contribution schedule, we pointed out that the year in which many calculations are made, is extremely important. In the instance of the years of expecting a financial contribution from a family, an applicant should be allowed to demonstrate through BEOG supplemental forms that a person's year tax dependency has changed.

I have included as an appendix a draft description developed by the National Student Educational Fund on the design of an "Options Workbook for Decisions After High School." This is the workbook. It has six pages and would be used to explain to the high school graduate the various options that he has after graduating. It includes information on employment, the armed services, how to go to college, and what to do.

This workbook has been submitted to the National Task Force on Student Aid Problems for integration into plans for developing a common financial assistance application form, and for coordination of the governance and management of student financial assistance programs between the Federal, State, institutional student and nonprofit agencies.

We feel it is imperative for Congress to set eligiblity standards for student assistance programs. We also feel that Congress should make clear that "eligibility analysis" is not the same thing as "need analysis."

We recommend an annual review of eligibility done by Congress, although this should not be a review of needs analysis itself.

We recommend that eligibility standards be made more rigorous for grant programs than for work programs. Almost every institution is going to develop some method of determining need in award work-study jobs. Perhaps it will be necessary for private need analysis services to determine a student's need for work under a criteria separate from a student's need for grant money.

Mr. Chairman, we, like so many others, are concerned with the enormous sums being spent on Guaranteed Student Loan defaults. Although it appears fairly obvious that the rising rate of defaults on GSL's is a product of our generally sagging economy. Perhaps it will be necessary, and even economically productive, to recommend that graduates who can demonstrate financial hardship to be granted a temporary deferral until such time as these persons can secure employment and ease their hardship. In the interim, the Federal Government would continue to pay interest charges on the outstanding loan.

We recommend Congress should begin working immediately on oversight of all student aid programs, whether or not they are in the Office of Education, the Defense Department, the Department of Labor, the National Science Foundation, the Veterans' Administration, the Social Security Administration, or others. Student aid should be looked at as a whole. The decline in expenditures on veterans' benefits should be accompanied by an increase in outlays for other student aid programs. We recommend the Congress hold hearings later this year calling together administration officials mentioned above along with the Congressional Budget Office.

We believe this subcommittee should begin work with the Congressional Budget Office to further the analysis which the National Student Lobby has given today in terms of postsecondary education's share of the gross national product in the years ahead.

Finally, we recommend that if Guaranteed Student Loan subsidies for borrowers from high income families becomes a burden on the higher education budget, perhaps students in the top quartile—approximately $19,500—could begin to pay interest on outstanding loans while still in school. We agree that the costs of GSL defaults are becoming a problem.

Mr. Chairman, that concludes my testimony. Thank you again for the opportunity to testify. I will be pleased to answer any questions.

[Information submitted for the record follows:]

STATEMENT BY JAY F. HENDERSON, LEGISLATIVE DIRECTOR, NATIONAL STUDENT LOBBY

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to review the provision of the Student Financial Aid Act of 1975, H.R. 3471, which amends the Higher Education Act of 1965.

The following statement is intended to provide a brief overview of the provisions of this legislation from the student's perspective. It contains both: (1) general principles we feel are important in any student assistance legislation, and (2) specific recommendations as to H.R. 3471.

At the outset I would like to say we have seven sets of recommendations based on seven principles which constitute the core of today's testimony.

In brief, those principles and recommendations are as follows. For further amplification, please refer to the detailed testimony attached.

PRINCIPLE 1: AUTHORIZATION MUST KEEP PACE WITH THE ECONOMY

Recommendations

(*a*) BEOG must be pegged to $1600.
(*b*) Student aid must be viewed in relation to national priorities.

PRINCIPLE 2: GRANTS SHOULD BE BASED MORE ON NEED THAN WORK-STUDY AND LOAN PROGRAMS

Recommendations

(*a*) The SEOG should remain need based.

(*b*) There should be lesser need standard required for work-study.

(*c*) Loan programs should be a matter of right.

PRINCIPLE 3: ELIGIBILITY STANDARDS SHOULD BE DETERMINED BY CONGRESS

Recommendations

(*a*) Eligibility should be clearly differentiated from need.

(*b*) Congress should conduct an annual review of eligibility standards.

PRINCIPLE 4: DO NOTHING TO ENCOURAGE LOAN PROGRAMS

Recommendations

(*a*) Institutions and states should continue to play some role in loan making.

(*b*) Top income-quartile might begin to pay interest while still in school.

(*c*) Concur with H.R. 3471 emphasis on SSIG.

(*d*) Deferred GSL ayments for hardship should be allowed.

(*e*) The National Direct Student Loan program is still vital and should not be abolished.

PRINCIPLE 5: ENCOURAGE FURTHER FEDERAL-STATE PARTNERSHIP

Recommendations

(*a*)Concur with H.R. 3471 emphasis on SSIG.

(*b*) There should be a limit on the substitution of SSIG work-study dollars for grant dollars.

PRINCIPLE 6: CONSUMER PROTECTION MUST COME TO POSTSECONDARY EDUCATION

Recommendations

(*a*) There should be fair and equitable tuition refund requirements as in H.R. 3471.

(*b*) There should be truth-in-advertising requirements similar to those in H.R. 3471.

PRINCIPLE 7: THE ROLE OF STUDENTS SHOULD EXPAND BOTH IN INDIVIDUAL PROCESS AND IN STUDENT GROUPS INVOLVED IN ADMINISTRATION

Recommendations

(*a*) Establish a student financial resources committee on every campus.

(*b*) There should be provisions for local dissemination of BEOG information.

(*c*) This should include an options handbook.

(*d*) All aid programs should have procedures for review of need and eligibility based on current year need.

(*e*) In constructing the federal student financial assistance programs, student appeal procedures and other elements of due process should be established by Congress.

1. STUDENT ASSISTANCE

Basic educational opportunity grants

The BEOG program should be a true entitlement in which a student has an individual right to full education benefits based on need. *The maximum BEOG should be a figure large enough to cover, if necessary, one hundred per cent of an eligible student's cost of attendance, to ensure equality of opportunity.*

The average cost of attending a public four-year collegiate institution as a full-time undergraduate in 1974-75 was about $2,400 for students residing on campus and $2,085 for students commuting from off-campus residences, according to the College Entrance Examination Board.

The provisions of Part A, Section 411, paragraph (a)(2)(A)(1) of H.R. 3471 which limits the amount of the maximum grant to either $600 or the maximum BEOG paid during 1975–76 is insufficient.

The BEOG program is the cornerstone of federal assistance programs. It must not be slighted and should, as a general principle, be authorized to fund a maximum grant of $1,600.

The limitation of $600–or even $800–is maximum BEOG size affects in a discriminatory manner students from low and middle income families who attend relatively low-tuition colleges and universities. Under the current law, students with expected parental contributions of $800 or less could realize a BEOG of from $600 to $1400. These same students, most of them from average or below-average income families, stand to lose every dollar over $600 if H.R. 3471 becomes law. On the other hand, students from advantaged, above-average income families will not be affected at all by this new formula.

By limiting the maximum Basic Grant to $600, this bill threatens to prevent a portion of the more needy college students from actually being able to attend the institution of his/her choice.

A further by-product of this provision would be to pit one kind of student against another in the very limited area of student financial resources.

Supplementary educational opportunity grants

In the past the SEOG program has provided additional money to exceptionally needy students. The program affords campus financial aid officers necessary flexibility in adding to a student's financial aid package if the individual can demonstrate need. *The SEOG program should remain a need-based program and should not be expanded to include merit as a factor determining eligibility.*

The provision of Part A, Section 413 A, paragraph a. of H.R. 3471 which requires a demonstration or promise of outstanding academic performance is inappropriate.

If all existing federal student assistance programs were authorized at a level which would ensure sufficient access and choice, and if additional monies were still available, the consideration of merit in the award of federal aid might begin to play a role.

But even under the best of circumstances, the consideration of merit is fraught with inequities and open to manipulation. Is it equitable, we ask, to argue that a student who does well in a National Merit Scholarship evaluation should benefit financially, when it could just as easily be argued that a student who does less well should reap the benefit of a supplementary grant because she/he has demonstrated a need for further assistance in an effort to pull even with the rest of the students?

Furthermore, because of certain cultural biases or academic privileges, a student may or may not have, fair and equitable evaluations of merit are difficult to achieve. If they are not perfectly accurate, these evaluations inevitably wind up discriminating against minorities, the disadvantaged and the poorly-educated.

At this point I would like to insert into the record a copy of a column by William Raspberry which appeared in the November 20, 1974, edition of the Washington *Post*. In his column Mr. Raspberry introduces an individual who is a member of the education faculty of the University of Massachusetts, Dr. Marsha Rudmon. Dr. Rudmon does not believe "there should be standardized tests, because there is no such thing as standardized curriculum." Dr. Rudmon speaks of techniques or skills in test-taking which can be taught a student. The purely mechanical ones, she says, will "raise scores by about six months immediately."

The point to consider here is does the Committee wish to deny an exceptionally needy student a SEOG simply because that student does not score in the top 25 percentile of the National Merit Scholarship Test? There is no way more certain to expand the education gap between the "haves" and the "have nots" in our society than to base the SEOG program in merit. The role of merit consideration in SEOG is premature while other student aid programs continue to be either authorized at levels too low or partially funded.

We might also suggest as a reference in this regard the College Entrance Examination Board's study of the SEOG program which revealed that "in about one-half of the institutions, large financial need significantly reduced the probability" of admission "even when quantifiable indicators of ability were used as controls. It was further discovered that although packaging practices varied considerably, high ability was often associated with a higher grant component." Consideration of merit has been found to confuse the role of the SEOG in offering access to students. Need this obfuscation be institutionalized? Perhaps consideration of merit would be more appropriate in awarding graduate fellowships.

College work-study

Mr. Chairman, the National Student Lobby thinks your provisions for marked increases in the College Work-Study program are especially worthy of commendation.

We heartily concur in the provisions which would authorize increased funding by $30 million annually and which would make College Work-study jobs ineligible for a sub-minimum wage.

Loans

Federal policy should not encourage the growth of greater loan debt burdens on students, nor should it encourage loan programs which have repayment periods beyond ten years. *Federal policy should work to define a proper balance between grant, work and loan components so that the loan burden does not begin to mentally mortgage an entire generation of students. Loans should not be based on need.*

The National Direct Student Loan program provides interest-free loans while the borrower is in school; the loans accrue interest at the rate of 3% annually during the repayment period after graduation. NDSLs constitute an important part of the student assistance program and should not be eliminated.

Because of the lower interest rate of three per cent and the more equitable repayment plan which allows for hardship and unemployment, the NDSL program is a better program, qualitatively, than the Guaranteed Student Loan program, which entails a seven per cent interest rate and a repayment schedule beginning nine months after graduation regardless of extenuating circumstances.

Low interest NDSLs should be available as a matter of right and as a last resort to needy students, particularly to students not able to get other loans.

Guaranteed Student Loans must, similarly, be available as a matter of right to students regardless of the credit status of that student's parents. In relinquishing full responsibility and authority for determining loan eligibility to commercial lending institutions, as provided in H.R. 3471, the Congress would create a situation destined to discriminate against the "have nots." We agree with the Chair's desire to curb the present trend toward more loans and away from grants and jobs. We do think, however, that allowing the credit standing of a student's family to become a factor in student loans, as it will if the bankers and their brothers totally take over, will unfairly deny equality of opportunity to the students of low and middle income families who, as a realistic matter, will not be able to secure adequate grant and work aid to finance their education.

State student incentive grants

The National Student Lobby applauds the language of H.R. 3471 which will effect a greater partnership between state and federal student assistance programs. *Federal policy should be designed to encourage states to devote greater resources for need-based student aid programs which allow students the maximum choice of postsecondary programs.* The 10-fold increase between the current appropriation of $20 million and authorization of $200 million for the SSIG program is just what the doctor ordered.

The National Student Lobby also concurs that the states which choose to match federal SSIG funds should be given further flexibility in being allowed to use these funds for a combination of grant and work-study programs.

It might be worthwhile to safeguard student interests against possible wholesale substitution of "work dollars" for "grant dollars" by including in H.R. 3471 a suggested ratio of SSIG funds to be spent on grants in relation to work-study. For example, the federal ratio of dollars for grants to dollars for work-study in FY 1975 will be about 3 to 1. States should be encouraged to adhere as closely as possible to a parallel ratio on the local level. The purpose of such a suggested formula would be to prevent an inordinate proportion of SSIG money from being spent on work-study in lieu of grants.

Part-time students

We applaud the expansion of student aid programs to include eligibility for part-time students, since a growing share of postsecondary education is composed of such students.

Low tuition, open admission

We applaud the substantial initiatives to study impacts of lowering tuitions and open admissions policies. This type of action research by the National Institute of Education in response to real needs of people and the need by Congress for answers to questions is crucial.

Consumer protection

The growth of consumer protection in postsecondary education is reflected in the provisions for receiving "fair and equitable refund policies," and "truth in advertising" (complete and accurate statements about programs, facilities and job placement). In the past year, these provisions have been developed through proposed regulations of the Guaranteed Student Loan Program, and their exact definition, of course, will evolve over a period of years. However we feel that the principle of "jurisdiction" over postsecondary educational institutions is important enough that the basic provisions should be enacted in statute. We also endorse the concept of having each institution provide assurances that federal student financial aid has not and will not result in tuition increases. Although this will be a difficult provision for institutions, we feel the exercise of measuring the impact of federal student aid is important. We look forward to requirements for additional "educational impact" statements (for example, on the impact of student aid in class size).

2. AUTHORIZATION LEVELS

"I think they should lend me something, but I haven't applied yet. I'm worried because I don't know yet. If I won't get scholarships, will I be able to get loans fast enough for the coming year?

"If the money doesn't come through, oh boy, I'm dead."

—*Chronicle of Higher Education Article, February 3, 1975.*

With these words a high school senior named Anita living in the Chicago area recently summed up the difficulties students generally experience in availing themselves of federal and local student assistance programs: there is always the worry that the money will not come through.

The authorization levels contained in H.R. 3471 do little to alleviate the concern of students that the money they have to have to go to school will not be there when they need it.

If I may, I would like to direct the attention of the Committee to the chart following later in this testimony entitled *Federal Student Assistance: 1971–1980*. Starting from the left hand column the chart shows the growth of federal monies expended for the six student financial aid programs currently authorized under Title IV of the Higher Education Act. From 1976 through 1980 the columns display the figures authorized by H.R. 3471 except for the Guaranteed Student Loan program expenses which are projected from the 1975 level of $654 million upward at an annual rate of seven per cent. The next to last column contains figures revealed last week by the Carnegie Commission except that the chart refers to current dollars whereas the Carnegie Commission's figures were based on constant 1974 dollars. The final column contains only the total amount of expenses for student aid as projected by the National Student Lobby solely on the basis of 1975 outlays inflated annually by seven per cent.

As you see, the Carnegie Commission has predicted that $4.990 billion will be needed for Title IV Student Assistance programs in 1980. Maximum appropriations possible under H.R. 3471's authorizations for the same year total $2.762 billion, a figure exceeded if the 1975 Title IV budget of $2.203 billion is inflated annually at only seven per cent, which encompasses *both* inflation and increased eligibility. In other words, Mr. Chairman, the authorization limits called for in H.R. 3471, *even if fully-funded, are not sufficient to keep pace with the most modest estimate of inflation.*

If, by some miracle, our economy does managed to return to an inflation rate of seven per cent, averaged over the four year period H.R. 3471 is expected to cover, student assistance will not even be able to hold its head above water.

If inflation fails to return to an average of seven per cent, levels of student aid will go down even further in spite of the yearly increases called for in H.R. 3471.

And, even if inflation is kept in check, the *increased eligibility* pool of part time students, higher income students, newly independent students and others will gradually eat into the financial aid pie.

From a macro-economic view, the Carnegie Commission points out all student aid programs will amount to only .66 per cent of the Gross National Product in 1980, compared to the percentage of .64 of the GNP spent for higher education student aid in 1975–76. The projected total for student assistance in 1980 under H.R. 3471's suggested limits, when added to the other student aid programs, would reduce that percentage to .46 of one per cent of the GNP.

Mr. Chairman, a $1400 BEOG, for instance, was originally thought necessary to fully fund a year of college. This year, the maximum BEOG will probably be around $800. What concerns me, if we are talking today about 1980, is what does the Congress intend to do about inflation and the dismantling effects it is having and will continue to have on student aid?

3. CONCLUSIONS

The National Student Lobby believes the authorization limits contained in this bill overall to be too low to keep pace with inflation and increased eligibility, and too meager in relation to a Growing Gross National Product.

The inevitable result of decreased student assistance at a time when student costs are moving upward will be a large attrition in the number of new enrollments each year. The 1973 National Commission on the Financing of Postsecondary Education reported that for every $100 increase in costs, 2.5 per cent of the students in the country are forced out of college. Today a four year public education costs about $8,000. Last month the New England Board of Education reported a child now five years old will have to pay $30,848 for four years of public college education. Unless student assistance keeps increasing in amounts sufficient to *exceed* inflation and increased eligibility, the ultimate goal of free postsecondary education for all persons will be seriously jeopardized.

It may already be too late. The National Student Lobby predicted on October 9 of last year that decreased student assistance would as much as create a new form of the military draft system. Because of less assistance and rising costs, more students are seeking haven in the Army. The newspapers of February 24, 1975 carried the news that the Army's recruitment has been so successful recently it now intends to drop the two year minimum enlistment in favor of a three year minimum.

According to the Pentagon, the average cost for two years of training, allowances, travel, etc. paid out for a young student who is forced to enlist in the Army is $22,500, or $11,000 a year—a figure which far exceeds the assistance which would have been required to help that student finish college.

It is a small wonder that high school graduates are finding the Army more attractive when one stops to consider the advantages. The amount of income forgone by students who would otherwise be employed, is a very important factor from the student's point of view. It has a definite impact on the educational decisions of students and potential students. This lost income can be especially important as a barrier to those from low income families. Loss of income can be avoided if the student gives up the hope of going to college and joins the Army. "In the best of all possible worlds," the hard pressed student must say to himself, "I could find a way of earning an income at the same time I go to school."

Henry David Thoreau once said, "It is impossible to give a soldier a good education without making him a deserter." In spite of his prophecy, the U.S. Army has recently announced a new program called "Project Ahead." The program is a plan paid for by the Army which lets an individual enlist in the service and start college at the same time. The soldier draws pay, does duties and participates at the same time in a plan which can lead to a college degree. Seventy-five percent of the tuition for college courses will be paid for by the Army. For the record, I would like to submit a two page advertisement which appeared in the March 9, 1975 issue of *Parade* magazine explaining Project Ahead.

Mr. Chairman, that advertisement alone cost the taxpayers $214,000—enough money to fully finance one entire year of public education for 100,000 young college students.

I am not pointing this out to disparage the efforts of the Army to recruit a high-quality volunteer corps of soldiers. Rather, it is necessary to understand that increased Army enlistments, increased unemployment and, as Herblock drew in a cartoon about a month ago, increased crime amongst school dropouts are only several of the side effects insufficient authorization levels of student assistance programs will have. Are we, in the cases of increased unemployment and crime, prepared ot pay the price we avoid paying by underfunding student aid? In the case of Project Ahead, are we not in the truest sense robbing Peter the student to pay Paul the soldier?

4. ADDITIONAL RECOMMENDATIONS

A. Local dissemination of BEOG information

While recognizing the usefulness of current methods of getting the word out about the BEOG and other federal and state student aid programs, the National Student Lobby believes there is a definite and demonstrable need for an intense, localized, media and advertising campaign. This campaign would utilize local contacts with community agencies and organizations, local contacts through parent, counselor and teacher organizations, and direct local contact of high school students, particularly in areas of high BEOG applications.

What is needed is an expansion of the number of community organizations and agencies involved in providing BEOG information, a broader media and advertising campaign to explain BEOG and to increase the awareness of high school students to the existence of the program, and the wider involvement of high school and postsecondary students themselves into the information dissemination process.

We recommend that language be added to Section 411 as follows: "The commissioner shall carry out a comprehensive annual program of information dissemination to students and prospective students (including information disseminated through students and prospective students' families, peers, counselors, and financial aid administrators, teachers, student organizations, employer and employee representatives, national, state and local public and private nonprofit educational and counseling agencies, and mass media) about federal student financial assistance programs, centered around the BEOG program but including information about all programs whether or not administered through the Office of Education. This program shall include training activities for counselors, financial aid administrators, business officers, student financial resource committees, and shall be coordinated with current activities of Talent Search, Educational Opportunity Center programs and other programs designed to make available information in areas of high potential eligibility for BEOG program. This program shall also have the responsibility for developing and distributing free of charge to each prospective student in postsecondary education an "options workbook" containing information about PSE education and training, including: (1) costs and federal, state, local and private financial resources; (2) admissions, testing, academic program, educational environment information including files and survey of satisfaction of students and former students at institutions; (3) career and job information on programs; and (4) developing a personal decision making strategy. The commissioner may enter into agreements with state agencies and private non-profit agencies for cooperation in distributing additional information from many sources. However, nothing in this paragraph shall give the commissioner any authority to prescribe or regulate curriculum material to be distributed along the options handbook.

B. Work-study formula

1. There should be a formula to directly link increased funding for grants to increased funding for work related programs. The threshold device in linking BEOG funding to increased funding each year for college work-study is crucial.

2. The incentive in the form of an administrative allowance for non-work-study and job-creation placements should be broadened to allow non-institutional job-creation projects to be eligible to work on this crucial problem.

3. There should be a nationwide clearinghouse (with an 800 telephone number) providing information and job placement for summer work-study and internship programs. A percentage of the work-study authorization could be allocated for summer use by such a clearinghouse.

4. There should be a coordinated data gathering program between the Office of Education and the Department of Labor to develop information on job classifications and wage rates on campuses, in campus-impacted labor markets and among students. In addition, it should be the responsibility of the Department of Health, Education and Welfare and the Department of Labor to develop plans for incorporating students and potential students in public employment programs.

C. All student assistance programs should have administration procedures for full review and hearing on issues concerning their "need" and "eligibility," based on current year determination. This procedure should be part of an overall effort to involve students directly in the decision-making process of financial assistance at the federal, regional, state, community and institutional levels.

D. There should be a student financial resources committee established on each campus which has students eligible to participate in any federal campus-based or campus-administered student financial assistance program. A cross section of students from that institution should be members of that committee, which shall consult, review, and comment on policies and administration of federal programs with financial aid, work placement offices, and others with authority to contract for such administration. This provision would institutionalize the work already done informally on many campuses, and would greatly increase local understanding of and communication about student assistance and work placement programs among students and the entire academic community. Please refer to Appendix A.

E. I have also attached as an appendix a draft copy of the "Role and Participation of Students in the Financial Aid System and Partnership," as a background rationale on why students must be involved both as individuals with rights and as organized groups which can assist in the administrative process. We have gone to great lengths to articulate the rationale, because in the past student financial aid rights and administrative participation have been mostly "discretionary" and "informal," and we are now in a period of transition. We hope to work with the committee to determine the appropriate places in which "formalization" should take place in legislation and in regulation. Please refer to Appendix B.

F. We feel it is imperative that students have a right to a hearing on financial aid determination, that due process standards and procedures should be applied in the distribution of student financial aid. As financial aid becomes more of a "right" than a "discretionary benefit" it becomes clearer that minimal standards for hearings, institutional policies for awards and rationality in determining eligibility are necessary. For example, in our testimony last fall on the BEOG Family Contribution Schedule, we pointed out that the year in which many calculations are made is extremely important. In the instance of the years of expecting a financial contribution from a family, an applicant should be allowed to demonstrate through BEOG supplemental forms that a person's year tax dependency has changed. Legal cases involving food stamp eligibility have concluded that "tax dependency for one calendar year as a basis for determining and individual's need in the following year has no rational connection." In short, we recommend that in constructing the federal student financial assistance structure through both direct aid and institution based aid, appeals process and other elements of due process should be established by Congress. Please refer to Appendix C.

G. I have included as an appendix a draft description developed by the National Student Education Fund on the design of an "Options Workbook for Decisions After High School" which has been submitted to the National Task Force on Student Aid Problems for integration into plans for developing a common financial assistance application form, and for coordination of the governance and management of student financial assistance programs between the federal, state, institutional, student and non-profit agency parties. Please refer to Appendix D.

H. Annual Congressional Review of Eligibility

1. We feel it is imperative for Congress to set eligibility standards for student assistance programs. We also feel Congress should make clear that "eligibility analyis" is not the same as "need analysis."

2. There should be an annual review of eligibility done by Congress, although this should not be a review of needs analysis itself.

3. Eligibility standards should be more rigorous for grant programs than for work programs. Almost every institution is going to develop some method of determining need in awarding work-study jobs. Perhaps it will be necessary for private need analysis services to determine a student's need for work under a criteria separate from a student's need for grant money.

I. Deferral of Guaranteed Student Loan repayment due to hardship

It appears fairly obvious that the rising rate of defaults on Guaranteed Student Loans is a product of our generally sagging economy. Perhaps it will be necessary, and even economically productive, for graduates who can demonstrate financial hardship to be granted a temporary deferral until such time as these persons can secure employment and ease their hardship. In the interim, the federal government would continue to pay interest charges on the outstanding loan.

J. Congressional Oversight

Congress should begin working immediately on oversight of all student aid programs whether or not they are in the Office of Education, the Defense Department, the Department of Labor, the National Science Foundation, the Veterans Administration, the Social Security Administration, or others. Student aid should be looked at as a whole. The decline in expenditures on veterans' benefits should be accompanied by an increase in outlays for other student aid programs. We recommend the Congress hold hearings later this year calling together Administration officials mentioned above along with the Congressional Budget Office.

K. This Subcommittee should begin work with the Congressional Budget Office to further the analysis which the National Student Lobby has given in terms of postsecondary education's share of the Gross National Product in the years ahead.

L. If Guaranteed Student Loan subsidies for borrowers from high income families becomes a burden on the higher education budget, perhaps students in the top-quartile (approximately $19,500) could begin to pay interest on outstanding loans while still in school. We agree that the costs of GSL defaults are becoming a problem.

Mr. Chairman, that concludes my testimony. Thank you again for the opportunity to testify. I will be pleased to answer any questions from Members of the Subcommittee.

FEDERAL STUDENT ASSISTANCE: 1971-80

[In millions of current dollars]

	Fiscal year—					H.R. 3471 1976	H.R. 3471 1977	H.R. 3471 1978	H.R. 3471 1979	H.R. 3471 1980	Carnegie 1980	Inflation 1980
	1971	1972	1973	1974	1975							
Basic educational opportunity grants			122	475	660	660	660	700	750	800	2,858	
Supplemental educational opportunity grants	167	220	210	210	240	200	200	200	200	200	165	
State student incentive grants				19	20	200	200	200	200	200	581	
College work-study	158	426	270	270	300	450	480	510	540	570	938	
National direct student loans	231	291	293	293	329	75	75	75	75	75	350	
Guaranteed student loans	163	231	399	580	654	[1] 699	[1] 748	[1] 801	[1] 857	[1] 917	(2)	
Subtotal	719	1,168	1,294	1,847	2,193	2,284	2,363	2,486	2,622	2,762	4,990	3,089
Social security	455	521	638	717	856	930	1,009	1,094	1,185	1,281	1,281	
Veterans' benefits	1,117	1,482	2,016	2,452	2,637	2,653	2,444	1,966	1,511	1,201	1,201	
Total					5,686					5,144	7,472	
Percent GNP					.64					.46	.66	

[1] Indicates NSL projection based on inflation.

[2] Total loans.

TEACHING THE SKILLS OF TEST TAKING

(By William Raspberry)

Masha Rudmon was in town last weekend to do what she does better than anybody else I've run into: teach people how to take tests.

Please understand that Dr. Rudmon, who has taught for 21 years and now is on the education faculty of the University of Massachusetts, does not believe in the published national standardized tests. She does not even believe in them enough to bother correcting them for cultural bias, in relevancy or any of the other flaws incumbent in them.

"I don't think there should be standardized tests, because there is no such thing as a standardized curriculum—nor should there be," she said.

"The tests aren't even useful in helping you to diagnose the problems particular children may have. All you get at the end is a score."

So what was Dr. Rudmon doing Saturday at the Advisory and Learning Exchange? She was teaching a score of teachers and administrators (only two of them affiliated with the D.C. public schools) how to raise their children's test scores.

"Sure, standardized testing is a game," she told them. "But I do think we have to teach our children how to play it: I'm not talking about cheating. I can give you techniques which will almost guarantee that test scores will go two years beyond what they are now."

Some of her suggestions are the height of simplicity—for instance, these purely mechanical ones she says will "raise scores by about six months immediately":

"Teach them how to fill out the answer sheets. Get back copies of tests and answer sheets, and start them off by having them fill out their names." She pointed out that some children get confused because their names have to be written in a special way, one letter to a box—and sometimes there aren't enough boxes for children with unusually long names.

That can be unnerving for a child if he first encounters the difficulty at the time he takes the test for record, she says. But her system is to get children used to taking the tests beforehand—used to filling out and coding their names, used to following questions and answers in sequence, used, even, to the special seating arrangements and special language that test administrants must use ("Good morning, boys and girls. We're about to play a game . . .").

Teachers who wish to raise their pupils' scores should find out whether the tests will be hand scored or machine scored, she said.

"If they are to be scored by hand, a single slash mark in the appropriate box is enough. If they are to be scored by machine, a down/up motion will be plenty. Or if you're really nervous about filling the box, maybe a down/up/down motion. Never sharpen pencils—it makes them break more easily, and it also takes more time to blacken in the box. And no matter what the instructions say, never fill in a box carefully. Do erase carefully, however, because the grading machines are very sensitive."

The latter advice is a part of Dr. Rudmon's training in selective disobedience, an effort to "teach a healthy disrespect for the rules." So, too, is her advice for handling reading comprehensive questions.

"Never, never, never read the passage before you read the question if you possibly can avoid it. (Sometimes they print the questions upside down or they put them on a separate page and won't let you go back.) Read the question, then scan the paragraph for something that matches it. If you don't find it quickly, go on to the next question and come back if you have time.

"Whatever you do, don't get interested in what the passage says. You must not think. Remember that you are trying to make the highest possible score, that what you are doing has nothing to do with real reading."

But if it's better to ignore the instructions that tell you to read the paragraph first, it's vital not to ignore any clue that says wrong answers will be subtracted from right ones. Sometimes the instructions will say that flat out; sometimes they will merely say "Do not guess." In any case, obey. The reason is this: If you get half the answers right and half of them wrong on a do-not guess test, you get zero. If you get half of them right and leave the other half blank, you get 50 per cent.

On the other hand, if the instructions make clear that there is no penalty for wrong answers, don't leave any questions unanswered.

Dr. Rudmon also thinks it's worthwhile to familarize children with the vocabulary of testing—such words as match, box, identify, missing and so on.

She is quick to acknowledge that to teach test-taking skills is not to teach thinking—or anything else, for that matter. The whole point of what she does is to raise test scores by teaching children how to handle tests.

She says she did it so well in her public school years (Hunter's Point, New York City) the authorities started to send in outsiders to administer her tests.

Appendix A

STUDENT FINANCIAL RESOURCES COMMITTEE

An Example of Student Organizing Strategy that Can Make a Difference: Student Participation in Administration of Student Financial Assistance

NSEF's strategy has been designed to meet the problems cited in the "Remembering Berkeley" article about students becoming involved in a process in which they do not have the time nor do they get the day-to-day rewards for them to stay involved. NSEF's strategy is based on biting off enough that is both immediately important and symbolic, but not becoming involved in complicated programmatic responsibility. The strategy involves mutually supporting participation—rather than isolation—at every level from the campus and community to the federal and national.

It involves participation in :

1. Information dissemination about financial aid (and admissions) through peer counseling on campus, in special recruitment drives in high schools and in the community, and through student newspapers;

2. Training of student financial aid representatives—similar to newly instituted Vet Representatives on campus—as paid ombuss persons to cut red tape and to explain financial aid;

3. Institutionalizing student participation on campus financial resources committee which allocate federal student assistance and jobs, and financial aid appeals committees which adjudicate individual claims;

4. Development of for-credit year-long course on "issues in financing PSE" for persons who work in financial aid offices on work/study for persons who participate on financial resources committees, for persons who have responsibilities for reporting to student government and newspaper on student resources, and from persons who are in public policy and other fields, to provide an on-going training ground for persons who will be learning their responsibilities, to provide rewards for people who have done work, and to provide an atmosphere in which a community spirit can grow on these issues on campus. (Also for persons receiving student financial aid, and persons with responsibilities for campus overall budget);

5. Develop a kit for student governments and student activities offices on how to organize a financial resources committee on campus, and how to develop responsibility within student government for student resources issues (loans, grants, G.I. Bill, jobs, tuition, tuition-waivers, etc.);

6. Develop at the statewide level the special function of students of (a) information dissemination about financial aid programs (through federal contract), and (b) review of appeals on individual financial aid claims, and in institutional financial aid requests reviewed by Federal Regional Review Panels held at state level, to be carried out as special *programmatic* function carried out by students on 1202 state PSE commissions (and advisory committee for students) and statewide student organizations.

This would involve information dissemination through campuses, student newspapers, radio and TV, affirmative action outreach programs, and community-based educational counseling center. There would be particular connection with canvassing of high schools by students at collegiate level.

7. Coordinate student participation in administration of financial aid at regional and national level, including having students from state organizations participate in OE Review Panels for institutional student aid applications, having students participate on task forces and work groups and in internship working on program management questions (such as design of common financial aid application form for all programs at federal, state, and campus level, designing common terms and calculations of financial "need,"

and designing the relationship between the federal and state governments, including the functions of the 1202 commission in student assistance issues), and in participation with national financial aid "need analyst" services (CSS, ACT) as well as other agencies involved with designing and researching financial aid questions (including CEEB, and ETS), and institutionalizing student participation in local financial aid dissemination through the development of OE contract specifications for training and dissemination; designing OE training component for student financial resource committees, including direct communication with such committees, and development of annual meeting for representatives of such committees, and development of group of minority students involved both with student financial assistance and federal TRIO programs (Talent Search, Upward Bound, Special Services) and Educational Opportunity Centers in low income communities, and to coordinate student participation in variety of conferences on special issues, such as non-traditional education, and White House conferences on Education (1977) and Libraries and Information Services (1978).

Appendix B

THE ROLE AND PARTICIPATION OF STUDENTS IN THE FINANCIAL AID SYSTEM AND PARTNERSHIP; FROM DRAFT REPORT OF NATIONAL TASK FORCE ON STUDENT AID PROBLEMS, FEB. 11, 1975

Introduction

In 1974, with the implementation of the State Student Incentive Grant Program (SSIG), the problems arising from the interconnected nature of the relationship among the Federal and the state governments in financing postsecondary education came more to the surface.

People now talk less of the clear separation of roles. Whereas a few years ago, the "Federal role" was described as centering on *aid to students* and the "state role" was centered on *aid to institutions*, the distinctions between who should play which roles is now less well-defined. It has taken a few years for persons at the Federal and state levels to become accustomed to talking with each other (along with persons from private institutions, philanthropic sources and private agencies, students and their families, and others) about the complex questions of "financing of postsecondary education" through complementary administrative, financing and political roles and mechanisms. Difficult questions remain about the specific roles of specific agencies and bodies of the Federal Government, state governments, the private sector, as well as the role of students, but there has come to be an acceptance of the need for closer working arrangements so that the purposes of Federal and state governments will not be in basic conflict, so that aid can be distributed efficiently and equitably, and so that the needs of students and potential students can be met.

In this section of the Report, the Task Force describes some ways in which the students' role in financial aid and in the financial aid partnership can become more clearly defined and perhaps bring more precise definition to the roles of all parties in the partnership.

DIRECTLY AFFECTED PERSONS/AGENCIES AS "INTERESTED PARTIES"

In drafting a series of "partnership agreements" in legislation, in regulation, in contract, in planning and research design, and in discussions, the first question is "Who are the interested parties?" That is, who are the persons and bodies whose lives and/or corporate activities will be *directly* affected by decisions about student financial assistance. Put another way, for whom do or should legal or contractual rights and obligations arise in relation to student financial assistance? The direct effects of student financial assistance decisions are and will continue to be widespread. Therefore, the definition of "interested parties" in formal and informal agreement and discussion should be inclusive.

In defining "interested parties," a number of criteria can be used, including "primary" (or direct parties) and "secondary" parties. Secondary parties may be "directly interested" because of the direct legal impact of decisions on them, although for other purposes they are secondary parties in that they may be "agents" of other "primary" parties.

Another way to look at "interested parties" is to identify those parties "impacted" by Federal student assistance programs. The Office of Education's Work Statement on the Impact of Federal Student Assistance Programs (April 1974) called for an assessment of the impact of Federal student assistance programs on the behavior of students, postsecondary educational institutions and state governments. While recognizing the impact of student assistance programs on a student's parents and family and local government, the Office of Education has identified *students*, the *institutions* they attend and *state governments* as the most directly affected by decisions made by the Federal Government about student assistance programs.

On issues of coordination and management of student assistance programs, private voluntary agencies, which play a major role in the administration of such programs, also become direct parties.

Within the broad categories of Federal Government, state government, postsecondary institutions, and students, there are many subcategories of agencies, bodies, offices, and institutions. Some are directly involved with decision-making or implementation in *administrative* matters in student financial assistance. Others are involved in *financing* decisions affecting the structure of financial aid programs and other financial structures in postsecondary education and in *political* decisions affecting overall levels of funding of student financial assistance. Some are involved directly in all three types of decisions.

When subcategories of governments, institutions, and students are identified as "interested parties" for various "partnership agreements" or purposes as they are here, a new cognition of the meaning of the partnership can take place. This is especially true for the students.

In partnership agreements, legal enforceable rights and obligations of each party in relation to each other are developed. It is important for each category or subcategory to have the security to protect its own interest and to be able to plan for the future to carry out its other obligations.

This is particularly important in terms of students, because models of student financial assistance have been developed mostly around the concept of a student as a "member of a market" with certain "dollar rights" to student financial assistance conferred by Federal, state, institutional, or private parties. The extent of the rights and obligations of the individual student are often unclear to the student and his or her family. In fact, the very nature of student financial assistance rights—even in the "student in the marketplace" models—have been "discretionary" and "adjustable" rights (often conferred on a minor student and student's family), dependent on changing circumstances, availability of funds, and the discretion of the financial aid administrator. While there is much to be said for "discretionary rights" approaches, in the current "mixed market" of "discretionary aid" and "entitlement aid," the administrative mechanisms should also be mixed in terms of the entitlement of an individual student to administrative procedures to secure his or her entitlement rights. Under the current "discretionary rights" concept, a student or potential student does not have the full range of administrative and procedural rights for securing or continuing dollar rights, and has no part in developing and administering such procedures or in developing the changing policies which govern the discretionary process used in allocating funds at the institutional, state or Federal levels.

If the purposes of student financial assistance are to meet the "needs" of a cross-section of students for "access to a diversity of programs in postsecondary education" so that no student is denied access to postsecondary education for financial reasons, there is the continuing problem of defining those needs from the viewpoint of students and their families, and from the viewpoints of others.

It is important that the interests of students be articulated by persons and groups which are directly responsible to students/potential students (and their families) in order to prevent the inevitable conflict of interest which arises when persons, governments, bodies, groups, or institutions with other primary obligations speak on behalf of students.

Such persons, groups, government bodies, or institutions can greatly aid, however, in defining how they perceive the needs of different types of students, e.g., such as graduate students, low-income students, part-time students, and other categories of students, in different programs, through different financing mechanisms, and within various non-student based goals of postsecondary education.

Thus, in determining who are interested parties, there must be a recognition of the complicated balance between Federal, state and private institutions and agencies, and student capabilities and roles. The difficulty of meeting the needs of a growing number and kinds of students should not be underestimated, since the responsibilities of the Federal, state, institutional, and private parties are divided between their legitimate interests in meeting other additional needs of society (such as manpower, defense, research, other educational and economic needs, and other governmental and private goals). Part of the process of developing a "Federal-State-Institutional-Student Partnership" is the process of clarifying responsibility for "meeting the needs of students and potential students" rather than simply meeting the administrative, financial and political needs of various agencies and bodies.

STUDENT PARTICIPATION IN THE PARTNERSHIP

There is little agreement on the level or extent of participation of students as co-consumers of, co-producers of, or co-participants in postsecondary education. This lack of agreement extends to the roles that students should play in the financial aid partnership.

The Task Force believes that students should be able to participate in the financial aid partnership at every level in decisions which directly affect their lives.

Student opportunities to participate in the partnership at the administrative level, the financial level, and the political level should be made available. Student participation must be continual, and undertaken in conjunction with organized groups of students, in order to develop judgment for evaluation and planning which often requires the weighing of complex questions. These groups and individual students develop the judgment, the perspective and a common memory over a period of years on the many interests of various types of students in various administrative, financing and political decisions. Thus, students do not have to "re-invent the wheel" each year.

There are many ways of providing mechanisms which will permit and enhance the opportunities for student participation. The most obvious is to people decision-making groups concerned with financial aid. Another is to develop new types of decision-making groups which would be concerned with adjudicating student grievances through appeals procedures and processes. A corollary to this latter approach is to maintain and publish records of financial aid would be available for use by all interested parties—especially student groups.

The Task Force recommends that students be given positions on financial aid policymaking groups at the institutional, state, and Federal levels. These positions should be reserved, where practicable, to students who are elected by student senates or other student organizations concerned with governance and by student financial aid recipients.

At the institutional level such groups as the admissions and financial aid committees should have student representatives. At the state level, boards of higher education assistance agencies, i.e., guaranteed loan agencies, and boards of state scholarship programs should include student representatives as members. At the Federal level, students should be permitted to sit on Office of Education review and appeals panels.

Students should be able to participate effectively at the administrative level without a great deal of background and expertise on questions of financing post-secondary education *in toto*. They can simply give first-hand accounts of their own needs, and the problems they have had with the administration of financial aid programs.

When students are represented on policymaking boards and gain first-hand knowledge of the problems faced by financial aid administrators, governmental bodies, and private agencies, students will experience treatment as the equals of others in the financial aid partnership which is working to solve academic and bureaucratic problems. Student participation at the administrative levels may not only aid in solving specific administrative problems, but in increasing communication of information about the administrative apparatus and "how the system works" as well. It also keeps the needs of many kinds of student at the center of discussion.

As students participate, they will first begin by trying to understand and articulate their own needs and the needs of other students. By determining and articulating their common and separate problems, or even their conflicting interests, students of different backgrounds develop the experience of a group of persons who know the same language, who know each other, and who have the experience to participate extensively at other levels of student financial assistance decision-making.

As students become more familiar with financial aid problems from other perspectives, a larger pool of student expertise will become available from which to draw help in designing models for the financing of postsecondary education. At this *financing level*, student participants can become more representative of a cross-section of many different student characteristics and they will have the background and judgment to speak on complex questions of finance.

As students participate in these processes, all parties to the partnership will discover that what has frequently been considered as financial aid problems of students can be considered common political problems. This understanding is becoming more widely shared by a community of students on each campus, and in student organizations at the state and national levels who have been involved in an ongoing dialogue on student assistance and how persons finance their way through college.

This political awareness will continue to grow among students, their families, faculty, aid administrators, as well as among persons at state and Federal levels. There will be a growing awareness of the fact that there are currently 1.4 million persons receiving some form of individual student aid from the Office of Education, that 2 million persons are receiving GI Bill educational benefits, and that 7 million persons are affected by tuition decisions made each year in state legislatures and 2-year college districts. These financial decisions which directly and significantly affect people's lives, also affect their families and close friends. Students, as well as their parents, are now voters.

As students come to participate more fully in discussions on administrative and financing questions, it will become clear that the political model under which postsecondary education has existed at the Federal, state and local levels is a very incomplete one. It is a political model which has not been reexamined with the needs of students upper-most in mind as both the basis for, and the purpose of, postsecondary education, and as the basis for a new coalition of support for financing postsecondary education at adequate levels. The development of the coalition of support for postsecondary education (at the national level) can come from increased communication with students through student groups representing many kinds of students, through student media on campus, through the national media, through increased communication with parents of students and potential students.

Through this process of articulation, a "national postsecondary educational" community is likely to evolve. This community will probably have more common purposes and will be more willing and able to communicate them to public policy-makers who are concerned with financing postsecondary education.

Appendix C

STUDENT RIGHT TO HEARINGS ON FINANCIAL AID DETERMINATION

STUDENT GRIEVANCES AND APPEALS PROCEDURES

The existence of financial aid programs based on "entitlement" and "discretionary" concepts demands clarification for students, financial aid administrators and the general public. Students in particular need to understand that decisions at the administrative, financing, and political levels regarding financial aid are made in terms of these two concepts. More importantly, however, students need to have formalized means for seeking redress of real or imagined grievances which grow out of decision-making processes at these levels.

Some clarification will be derived from the implementation of the Task Force's recommendations regarding student participation on policymaking groups. But particular individual student's grievances cannot be quickly handled or rectified with broad, long-term policy decisions. And policymaking groups should not be expected to deal with individual student grievances. Therefore, new groups should be formed to receive student grievances, adjudicate them, and render decisions of redress when appropriate, and in accordance with the law, administrative regulations, and sound judgment.

The Task Force recommends that every campus establish student financial aid appeals boards for the purposes of receiving student grievances, adjudicating them and making recommendations to appropriate officials for redress of the grievances.

The chief executive officer on each campus should be responsible for the establishment of these boards. They should meet at least once each school term to hear student grievances and render decisions and recommendations on each case. The boards should include as members:

1. Four students, selected by the student government body or by vote of student financial aid recipients;
2. Two representatives of the financial aid office, selected by the chief executive officer but including *ex officio*, the director of the office; and
3. Two faculty members, selected by the faculty senate or other governing body.

The appeals board should keep written records of the basic facts of each case and its decision or recommendation. Such records should be made available by the chief executive officer to any member of the campus community upon request.

Since it is unlikely that all campuses will establish such appeals boards, since it is the responsibility of public financial aid programs to provide for fair and equitable distribution of public funds and treatment of aid recipients, and since articulation and adjudication of grievances will lead to better program management and coordination among all programs, an appeals board should be created at the state level.

The Task Force recommends that the agency charged with administration of the State Student Incentive Grant Program or other appropriate agency in each state establish a student financial aid appeals board for the purposes of receiving student grievances deriving from the administration of all *public programs* within the state, whether they are institutional, state or Federal origin, adjudicating these grievances, and making recommendations to appropriate officials for their redress.

The boards should include as members:

1. Six students, selected by the state agency from among the membership of the campus appeals boards within the state;
2. Four financial aid administrators, selected by the state association of student financial aid administrators;
3. Two chief executive officers of postsecondary educational institutions, selected by the state agency;
4. Two state legislators, selected by the legislature or the state agency;
5. Two representatives of lender institutions in the state, selected by the agency with advice from the guarantee agencies where practicable;
6. Two representatives of the SSIG agency in the state and/or other state financial aid programs; and,
7. One representative from the staff of the Regional United States Office of Education, selected by the head of that Office.

The appeals board should hear grievances from students on the administration of all *public* financial aid programs within the state. When the grievance originated from an institution with a campus appeals board, the state board would be serving in an appelate capacity. If the campus had no appeals board, the state board would be serving this function. The state board should keep written records of the basic facts of each case and its decision or recommendation. The records should be made available to members of the campus communities and the general public on request. Furthermore, annual reports of the state board's activities and decisions should be distributed to all campus chief executive officers, the state association of student financial aid administrators, the heads of all state-supported financial aid programs, the USOE regional office, the state higher education executive officers, and the head of the state department of education.

The Task Force recognizes that its recommendations for the creation of appeals boards represents a major departure from the traditional seclusion of financial aid decisions from public observation. It is likely that this departure may create new administrative styles of behavior for some financial aid administrators and create situations where administrators will receive public criticism which may be undeserved. But the Task Force believes that the public has a right to know how public funds are administered and that open observation of their administration will ultimately improve the financial aid system and the way it functions. Even more important, however, is that these boards will function to provide students with opportunities which do not currently exist to redress real and individualized grievances. And, by keeping records and case histories of this process, the board's decisions will serve as guidelines to develop more appropriate administrative practices, policies, and regulations.

In order for student aid programs to more adequately meet student needs, those needs and the functioning of current programs must be clarified. Students must be provided with a definitive role in the student financial aid partnership, and the procedures and processes for clarifying the roles must become institutionalized. By focusing on student needs and roles, the entire financial aid system will be strengthened.

Appendix D

OPTIONS WORKBOOK FOR DECISIONS AFTER HIGH SCHOOL

It is recommended that in the 11th grade in high schools, and at various times in community-based counseling centers, a Workbook be made available (free of charge) to assist each person in making specific decisions about options after high school. There are 2 key elements: (1) that the Workbook be kept by the student for his or her use over a period of years, and (2) that the Workbook distribution be connected to a series of information sources, such as admissions and testing, financial aid, and occupational information systems.

Content of Workbook.—Much of the content of the workbook would be information and fill-in exercises of the type now carried in *Deciding* course materials. In addition, there would be sheets inserted presenting information on *admissions requirements, academic program offerings, student profiles* and satisfaction profiles of entrants, dropouts/stopouts, and graduates of institutions in a state or metropolitan area; information on *financial costs* of institutions and *financial aid* available by family income and other criteria in the state or metropolitan area; information on *job and career outlook* by state and metropolitan area and nationwide. In addition, there would be self-calculation forms for estimating financial aid eligibility and amounts.

Forms attached.—There would be forms attached to send for catalogs and admissions forms for various institutions; there would be forms allowing a person to sign up for preliminary SAT exam or SAT/ACT exam; there would be forms for a person to sign up for preliminary BEOG estimated calculation of grant and regular BEOG form; there would be forms for persons requesting other sources of information about financial assistance for PSE, and to be placed on central mailing lists in regard to PSE; there would be forms which would allow a person to use occupation information systems which have developed and been placed in high schools and community-based counseling centers.

Follow Up.—By various agencies and groups: This dissemination system could begin with a minimum of follow up by agencies, but it would be adaptable to use by various systems. In the admissions area, there could be mailings to students and parents in special target groups for special recruitment projects. In the financial aid area, there could be mailings to students and parents by state scholarship agencies or BEOG information and applications at the appropriate time (perhaps 1 year later at beginning of 12th grade). In a course in high school or in a community-based counseling center, a preliminary SAT could be given, and a calculation of BEOG and other financial aid eligibility made, and use made of occupational information/career information systems which are available.

Payment and Delivery.—The costs of such a workbook could be allocated among various sources: (1) federal government could pay for core of material and federal forms, (2) state government could pay for state/metropolitan supplements on costs/financial aid and form to order catalogs, and (3) local education agencies or non-profit counseling centers could pay for the other supplements. The costs of processing pre-BEOG would be done by BEOG, and contractual arrangements made to share that information with state agencies.

Preparation of Workbook.—To avoid objections to the federal government designing curriculum materials (since the Workbook would be designed to fit into course on PSE options) the work on the "Decision-Making Process" section of the workbook could be contracted out to a party which would do the packaging based on materials selected by state or local textbook approval sources.

PURPOSES

1. To give a person an estimate of costs and eligibility for BEOG, and familiarity with all financial aid programs, in specific dollar terms before the beginning of the last year in high school;
2. To engage the student and family in "change of status" of being in the "decision" or "application" process toward PSE options;
3. To allow educational planners an earlier estimation of "need," "applications," and "student purposes" trends;
4. To allow persons working understanding of "all forms you need," and to aid in cutting 30% incompletion rate for BEOG applications;
5. To leave person with personalized workbook binder in which all documents affecting PSE can be mentally and physically centralized for next 2 years (it should have pockets which are sturdy);
6. To bring together admissions/academic program/campus life/financial cost and aid/occupation and career information into one place, and develop "common workbook" for all systems.

Workbook elements	Designed by—	Approved by—	Paid for by—
1. "Your options after high school" text and exercises on decisionmaking process and building a personal strategy.	Textbook publishers.	State or local textbook approving bodies.	Federal Government.
2. "Core materials" on financial costs, financial aid, including forms for (1) how to build a budget (2) application (tearout) for preliminary estimate of dollar eligibility for BEOG (and for state scholarship) (3) application (common form) for regular BEOG.	Federal Government or Federal contractor.	Federal Government and other parties to partnership (States, institutions, students) through formalized structure.	Do.
3. Statewide and metropolitanwide (including across State boundaries) information on admissions, academic programs, surveys of student completion, satisfaction, and job placement, financial aid and occupation information systems, including postcard request for further information on State scholarship, additional financial aid search (not based totally on need), catalogs and admissions applications to be sent from central source. This system might be linked to information systems with outlets in h.s. or community agency, rather than using postcard.	State agency or contractor.	State Government, and other parties to partnership.	State government.
4. Local information from local education agencies not handled in State and metropolitan section, and from local nonprofit institutions, counseling centers, and agencies.	Local education agency or nonprofit group.	Local educational agency, or nonprofit group, and State agency.	Local education agency or nonprofit group.
5. Miscellaneous pamphlets, information sheets, and other material could be informally passed out at local level, or collected by students, such as application for preliminary SAT.	Distributing group.	Local educational agency or counseling center.	Distributing group.

[*From the Chronicle of Higher Education, February 3, 1975*]

"If the Money Doesn't Come Through, Oh Boy, I'm Dead"

Following are excerpts from interviews with students at four Chicago-area high schools by The Chronicle's Karen J. Winkler.

Betsy L———'s family has three children; one is self-supporting. She thinks her father earns about $7,000 a year. Betsy ranks eighth in her class. She has applied to Howard University and Memphis State University.

I want to get away from Chicago. This neighborhood, it's bad. The people I live around, the majority don't care where they're going; they're just out there taking what they can. A lot are on welfare. So I'm going to school to get away from this.

There's not much money to offer me at home. My mother is sick and my father is a car salesman. I think I'll get aid. If anyone needs it, I need it. I think there's a general feeling in school that you can get it, because most of our high school, they haven't had money to go to school, but they've been getting all types of aid.

I won't deal with no loans, because I don't know what's going to happen in the future. And when I get out of school and start making money, I want to put it in my pocket and not start paying off bills. If I have to do that, I'd just stay here and work until I get the money, and then I will pay it myself.

Mary R———'s father, with overtime, clears about $18,000 a year. She has one sibling, who is self-supporting. She has applied to Northern Illinois University.

I was going to go to Northern Illinois, and my major was going to be nursing, but I received my state scholarship application back, and they said I wasn't eligible for any aid. I don't think it's fair. Father is 60 years old, and if he sends me to college with his own money, what will he have for his retirement?

Do you have to be really poor to go to college? You work your high-school years to get yourself up. For what? You're nothing in the eyes of the aid people. All you have to be is a minority with a C average and you've got it made. It's not in all cases, it's in some, but I don't think it's fair to the people who really work.

I guess my last resort would be either to get a loan, or just go to a nursing school. The cost for the three years there is about equal to one year at a four-year college.

My parents could afford the three-year school, but they want me to go to college. It's important to them, and it's important to me, but with all these things just holding me back, I have no other alternative. I have to take it or leave it, or work in a factory the rest of my life. I'm backed into a corner.

John F———'s father, who worked as an electroplater, is dead, and his mother, who was a nursery school teacher, is not currently working. She plans to attend college herself next year. Last year, she earned about $7,500. John's one sister is self-supporting. John has applied to Cornell, Harvard, and Stanford Universities.

The man from Harvard said if I do get accepted, I really don't have to worry too much about financial aid because if they want me to come, they're not going to let me be rejected just because I can't pay. The colleges are supposed to be looking for black students who have good grades and good test scores, so if I get accepted—that's what they said—they'll cover all my expenses that they think I can't handle. I'm a National Achievement semi-finalist, so if I do get accepted to Harvard or Cornell, I don't think I have to worry.

But it's a bad time to be going to college. Money is tight everywhere. I'm not counting on federal aid, but if I don't get anything from the schools, I guess I could get a student loan or a grant from the government—that would be a last resort. When my sister graduated in '72 and we tried to get money from the federal government, they said you don't need it. When I go, that's one less dependent since my sister works, and that will make us look like we have plenty of money. It's crazy, but the government will say to us: for two people, $7,500 is enough.

The state school is so big, that's why I didn't apply there. I couldn't go to a school with 35,000 students, where you have videotaped classes and all that type of thing. I don't think I could fit in there. I have to have some personal contact with teachers. I mean, I'm competitive, but not that much.

Nancy S———'s parents are divorced. She has two sisters, and her mother is in school. For the past few years they have lived on about $7,600 a year. Nancy has applied and been accepted at Earlham College.

The school has guaranteed it can get the money for me because of my financial need. Their total cost is about $5,045, and I've been given a financial aid packet of $4,600. Part of it's loan and part of it's government work-study. I'd just as soon not have the loans hanging over my head, but I'm perfectly willing to have money given to me and I'm very determined to go to college, and there's just no way my family can give me help.

Shirley P———'s parents earn about $20,000 a year. They have three children, one of whom is already in college. Shirley ranks third in her class and has applied to Brown, Northwestern, and Yale Universities, and the University of Illinois at Champaign-Urbana.

I'm planning to go to college and then to graduate school. The problem that's arisen is whether I want to go into that much debt for undergraduate work, knowing that graduate school will cost still more.

I chose the schools I did because there is a chance they'll supply me with financial aid. By going to a school that has large endowments and a lot of money behind it, I think it is possible to get a scholarship packet—loans and grants—from it. And I considered which schools, like Brown, had their own loan programs.

The problem with going to a state school is that I don't qualify for state scholarship money because of my family's income, and the school says specifically that it's very difficult to get any other kind of aid. I don't apply for federal aid either, because I know I won't get it, but I do have the need.

But if Brown, Yale and Northwestern can't come up with the money, then I will go to the University of Illinois, and I'll just have to pay the full cost—which is still within the range my parents could pay. But I would prefer a smaller university.

With every school you apply to for financial aid, you have to fill out a separate form. A lot of schools request that you take special tests, which costs money. And it's a constant hassle with your parents, every time you have to come to them.

It limited the number of schools I applied to. I looked at it from a very cold aspect.

Mike D———'s father earned about $15,000 last year, but this year he had to stay home with his wife, who has been ill, so he cleared only about $12,000. There are three children in Mike's family; one is self-supporting. Mike has applied to the University of Illinois at Champaign-Urbana and Chicago Circle, and to DePaul University.

I first applied to the University of Illinois at Urbana, to get out of the city, but my ma got sick. She had a stroke and open heart surgery, so my dad told me to stay in the city and help. Then I was going to go to Northwestern, but it cost too much. So I'm applying to DePaul and I'll live at home.

I didn't apply to the federal government for help. I don't know why, maybe because there's so much hassle. I really don't know about loans. I'll have to see if I get any scholarships first. The problem is that you don't know if you're going to get a scholarship or not, and you can't go for a loan until you know. There's so much insecurity.

Anita P———'s parents are separated. Last year her mother worked as an assembly worker and made $6,500. There are two children in her family and a grandmother who lives with them. Anita applied to DePaul University and the University of Illinois at Chicago Circle.

I came from Poland six years ago, so we're not exactly on the ground too firmly. I tried to find the cheapest school possible, but when I looked through them, they're no good—I mean they just don't offer what I want, lab technology.

Even though DePaul is expensive, I still picked it. I'll be commuting, so that will help. I work now as a waitress in the evenings and I'll look for part-time work.

I think they should lend me something, but I haven't applied yet. I'm worried because I don't know yet. If I won't get scholarships, will I be able to get loans fast enough for the coming year?

If the money doesn't come through, oh boy, I'm dead. That means I can't go to the college that I want. Then I think I should try very hard to get a loan, and go to a junior college for two years, and then go to normal school afterwards.

Mr. O'Hara. Thank you very much, Mr. Henderson.

You recommend that the maximum BEOG be placed at $1,600, than on page 3 that the maximum BEOG should be a figure large enough to cover 100 percent of the eligible student's cost of attendance, which you indicate varies from $2,085 to $2,400. How do you square that with the recommendation of a $1,600 maximum?

Mr. Henderson. I square it because I believe if we wanted the maximum BEOG to be $2,400 we would not be taken seriously. I think $1,600 is the level at which we can expect the BEOG should be funded and could be funded. If it were funded at that level, a lot of students would benefit because it would be large enough to cover the full cost of their attendance.

Mr. O'HARA. What sort of appropriation would that require as compared to current appropriation levels?

Mr. HENDERSON. By 1980 it would be $2.8 billion current dollars.

Mr. O'HARA. On the comparison you made on your chart having to do with authorization levels, you include—the way you arrive at the totals is by including in veterans benefits in your estimate of what veterans educational benefits will be if the law remains the same, that is under the VA authorizations. Right?

Mr. HENDERSON. Yes, that is correct, but it is also the figures given by the Carnegie Council.

Mr. O'HARA. What I mean is you have it in a column underneath the various proposals, did in fact the amounts under that column have nothing to do with—I mean the amounts in that particular line have nothing to do with—the various proposals?

Mr. HENDERSON. They have nothing to do with H.R. 3471 which only includes the first six rows, the title IV student assistance programs. But I believe that all of these programs for postsecondary education student aid should be looked at as a whole, which is why I have included such things as the social security and veterans benefits, particularly because I would like to emphasize that if the cost of veterans benefits decreases, those dollars could be retained in postsecondary education assistance to supplement other programs, the BEOG program, for example.

Mr. O'HARA. Mr. Henderson, do you feel that this subcommittee, in its consideration of legislation, should authorize programs at the ideal levels, or do you think we should try to make an assessment of what the appropriations will actually be and authorize programs at levels governed by those assessments of what the appropriations will give?

Mr. HENDERSON. I was here this afternoon and I heard you voice your concern over not wanting to build up the hopes of the students of the country too high and by placing it at the ideal level we might be misleading a lot of students into thinking they are going to get a lot more than they actually might. But I think it is the purpose of this subcommittee to place the authorization levels at the ideal level. Someone has to state what the actual need is, and I think it is the purpose of this subcommittee, for the record and in actual legislation, to say that we will, by 1980, need $5 billion dollars for student assistance programs. Appropriations may not come up to that level, but I feel that it is the responsibility of this subcommittee to state the ideal authorization level.

Mr. O'HARA. Then would you think the subcommittee had a further responsibility to spell out in the legislation what would happen in case the appropriations do not reach the authorization level?

Mr. HENDERSON. Yes, sir. That is one of the things I put in my testimony. We tend to go along with this. The local dissemination of BEOG information would be an easy way of getting the word down into the high schools, for example, that although the authorization level is high, it may not be possible to get appropriations up that high.

The thing is that right now, like the article said, if the money doesn't come through, boy, I am dead. Well, you are just left wondering, and I think the local dissemination procedures could articulate that, yes, maybe the authorization levels are ideal but here is what the student can realistically expect.

Mr. O'HARA. I think it is awfully hard to predict that, the way it operates now, unless we were to change the program a whole lot. It is very hard for anyone to say you know how far off all the estimates have been.

Mr. HENDERSON. Yes, sir.

Mr. O'HARA. Thank you very much, Mr. Henderson. And without objection, the material appended in your statement will be printed in the record.

This concludes our hearing for today. We will resume hearings on this particular legislation beginning at 9:30 tomorrow morning in this room.

Thank you very much.

[Whereupon, at 5:25 p.m., the subcommittee was in recess, to reconvene on Thursday, March 13, 1975, at 9:30 a.m.]

[The following testimony was subsequently submitted:]

PREPARED STATEMENT OF COALITION OF PRIVATE UNIVERSITY STUDENTS

The Coalition of Private University Students is pleased to submit this testimony on H.R. 3471. Organized last fall, COPUS represents students from 13 of the nation's oldest and most well-known universities.[1] We have banded together because we recognize that private institutions like the ones we attend are facing great financial hardships. More than 25 per cent of all students in American higher education attend privately-owned colleges and universities. COPUS, through its research and lobbying efforts, is the single organized voice for those students, as well as an ally of the institutions they attend.

While we applaud many of the ideas proposed by the chairman in H.R. 3471, we believe that in many parts of the bill changes should be made that would bring it closer to what we see as the goals of the federal program of financial aid to students: providing choice and access to all Americans for post-secondary education. In that light we are recommending a number of alterations in the bill and have, at the end of our testimony, submitted possible language that might be used. We shall deal with the provisions of the bill in order and shall explain our reasons for the changes we have proposed in that order.

Before discussing details however, we would like to make clear our basic policy. As mentioned above we feel that every student should have the right of full access and complete choice in higher education. A policy that favors publicly-run institutions by placing severe limits on the amount of funds available to students attending privately-run schools would mean disaster in both educational and financial terms in the long run. In educational terms it would mean that many private institutions and their special and distinctive characteristics, so much a part of the variety of our free society, would be drowned under the rising costs of instruction. In financial terms it would mean that in the end state governments would be forced to carry the educational burden for far more students. It seems clear to us that the increased costs that would eventually result from a policy of limiting the amount of grants to students at schools with higher costs would be far greater than the increases that would result from expanding that aid to the needed levels. Besides saving money in the long run, that increased aid which we will propose would help keep alive the private colleges and universities that have made, and are still making, such a great contribution to this country.

---

[1] The member schools of COPUS are: Boston University, Brandeis University, Brown University, Columbia University, Cornell University, Georgetown University, Harvard University, Johns Hopkins University, Massachusetts Institute of Technology, New York University, University of Pennsylvania, Princeton University, and Yale University.

THE BASIC EDUCATIONAL OPPORTUNITY GRANT

We agree with the approach developed by the Consortium on Financing Higher Education towards the BEOG that would make that grant a true entitlement giving educational to all students by helping to pay, for those who needed it, the required assistance for the non-instructional costs of higher education. To properly put this program into effect we have recommended language ordering the Commissioner to determine at the same time that he promulgates the expected family contribution schedule, the average national non-instructional. Since it is most likely that the provisions of H.R. 3471 shall not take effect until the 1977 academic year, we estimate that the average non-instructional cost for that year will be $2500. (That assumes a nine per cent annual increase over the present $2100 average). We would estimate that summer earning contribution for that year should be $700. This would yield a $1800 maximum grant, as seen in our discussion of the costs of the program we have proposed. We also recommend a number of minor changes concerning the timetable under which the Commissioner's schedules are promulgated; these are mainly to make sure that if the schedules are overridden for a second time there will be sufficient time to have them completed.

We also recommend a number of changes that we think will improve student participation in the BEOG program, including a requirement that the Commissioner shall send the necessary number of applications to all secondary schools for distribution and that he and the schools shall publicize the program. We further recommend that that the Commissioner shall provide for cases in which the parents of students applying for aid lose their jobs in the year the application is filed. While we do not like, as a matter of legislative practice, to see such language as paragraph (b)4, we recognize that such language may be necessary to ensure that the full appropriation is made. However we would recommend a full entitlement by raising the amount in (b)4A to at least $2 billion.

THE SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT

Like the Consortium we would base, for the same reasons detailed in their report, the payment of the SEOG on the total tuition and fee charge. However we would make the initial self-help contribution greater, while at the same time extending the limits of the SEOG to two-thirds of whatever was needed to provide the student with the funds to attend whatever school he or she wanted to go to. Our allocation formula would therefore work in this manner: The SEOG award would equal two-thirds of the amount remaining after deducting from instructional costs any parental contribution available beyond that applied towards the non-instructional costs in the BEOG and $1500. Assuming an increase in tuition of about nine per cent a year also, this would mean that at the level of about $4500 we would expect for our member schools and many others at that time a student in the 1977 academic year whose family was able to make a parental contribution of $1800 or less would be eligible for a SEOG of $2000. ($4500 tuition and fees minus $1500 self-help equals $3000. Award of two-thirds of that amount means SEOG of $2000).

We recommend this formula beause it is clear that as tuition costs continue to skyrocket at major private institutions, placing a dollar limit on the maximum SEOG will make it increasingly difficult for the most needy students to attend those institutions. By removing a limit in terms of dollars from the SEOG we give all students, even the poorest, the opportunity to attend any college or university they qualify for. With inflation, a continued federal loan program and expansions in the work-study and state incentive programs, we feel that a $1500 self-help contribution (also to be adjusted annually) would be fair. Finally we feel that the two-thirds ratio is far more equitable, while still allowing for the help provided by non-federal scholarships and grants. To get full participation in this program, we would also recommend that the application for the SEOG be combinded with that of the BEOG and have proposed language similar to that recommended for the BEOG section concerning the distribution and publicity of such applications.

STATE STUDENTS INCENTIVE GRANTS

We would recommend that such grants be given to states on a matching basis for use in grants towards the instructional costs of education only. We have made recommendations below to expand the effect of the work-study program and we do not believe that an increase in work-study should be accomplished by diverting funds in this section of the legislation. In addition, we see no reason for using SSIG funds for capital grants to expand no-cost colleges at a time when all projections show that undergraduate enrollments will soon be leveling off and the BEOG/SEOG program would be available to give full access to higher education for all students from all income levels. We would therefore recommend only a gradual growth in the SSIG program. We would also recommend a phased-in schedule of portability of SSIG grants.

We find the allotment formula in 415b to be excessively complicated. We would simply recommend that it be based on the number of students from each state and that if some states do not match the funds available to them then the funds should be made available for distribution in the next year's allocation of total SSIG funds. If some version of the current allotment formula is used, we believe it is necessary to use the average state effort index in the formula rather than the highest. Under our analysis, use of the highest state effort index would mean that only the state with that effort index would get its full allocation. With the use of the average effort index in the formula those states doing better than the norm would get more and those doing worse would get less.

TRIO PROGRAMS

We commend the chairman for his continued support of the TRIO programs and the additional veterans services he has proposed and we fully support his ideas in this section.

Sadly, we must agree with the chairman that the question of institutional aid (formerly section 419) is a matter that at this time should be put aside for further debate. Perhaps the state incentive grants might eventually serve as a basis for an institutional aid program, with federal monies matching state funds in grants to institutions made on a set amount per degree candidate, as is done in the New York State Bundy plan. This is, we are sure, a topic the committee will deal with in the near future.

FEDERAL LOAN PROGRAMS

We would recommend retention of the current NDSL, GSLP, and FISL provisions. We believe that once the new BEOG and SEOG programs are adopted the need for such loans will sharply drop. At that time we would recommend a comprehensive review and overhaul of the federal loan programs. In the meantime, however, we would recommend that the limit on FISL be set at $1500 for each year, that the total available for undergraduate study be set at $6000 (four years of the maximum $1500) and that the amount for graduate study be raised to $6000, thus providing for a $12000 grand total.

WORK-STUDY

We commend the chairman on his continued support of the work-study program and his efforts to strengthen it. In light of the provision requiring the payment of not less than the applicable minimum wage rate, we would recommend that in light of inflation the annual increase in work-study funds be set at $40 million. However to further multiply the effect of work-study funds we would recommend that the share borne by the participating institutions be increased. Here we would recommend that the ratio share be set at 75–25 for the 1977 academic year, 70–30 for the 1978 academic year, 65–35 for the 1979 academic year and 60–40 for the 1980 academic year.

COSTS OF PROPOSED PROGRAM

While it may seem that our cost estimates are high, we believe it is necessary that the true costs of the program we propose be spelled out. To place limits without regard to inflation will only mean increased financial problems for many already troubled institutions. A honest appraisal of the costs of our proposed programs therefore is as follows:

BEOG: We feel that with the provisions we have recommended we will have a participation of 80 percent. With that rate of participation, an $1800 maximum grant, and the inclusion of part-time students, we would estimate, based on the Consortium study on pages 78 and 79 of their April report, a total BEOG cost for the 1977 fiscal year of $2.3 billion.

SEOG: Because we propose a higher BEOG and a greater gap before starting SEOG awards, we would estimate that even though we would remove the $1500 limit on the SEOG awards the program we have proposed would run $300 million.

TRIO: The $125 recommended by the chairman.

SSIG: We would recommend no more than $60 million for the 1977 fiscal year.

Federal loans: We would estimate that with the increased BEOG and SEOG programs we have recommended that loan costs would be no more than $200.

Work-study: We would recommend the $480 million proposed by the chairman for the 1977 fiscal year.

Thus a straightforward total for the program we recommend would be $3.465 billion for the 1977 fiscal year. It may be higher than programs proposed by others, but we believe it represents the amount of money needed to properly do the job.

We recognize that the program costs we have proposed are high, but considering the drop in veterans benefits that will occur in the 1977 fiscal year and beyond such an increase seems fully justifiable and should not increase total federal spending on education. The program we have proposed takes into account the rising costs of education that will surely occur in the next few years and tries to honestly meet them. We feel that the changes we have recommend in H.R. 3471 would, if adopted, make a major step towards providing full educational access and complete educational choice for every American.

The Coalition of Private University Students

RECOMMENDED CHANGES IN LANGUAGE OF H.R. 3471

Page 2: Line 13: Delete: and academic promise.

Page 3: Line 16–22: Replace with the following: be the amount remaining after subtracting from the average non-instructional cost determined under paragraph (3) the expected student summer earning contribution as determined under paragraph (3) and the expected family contribution with respect to that student for that year as determined under paragraph (3).

Page 4: Line 20: Insert the following after: "calendar year.: The Commissioner shall also determine and publish in the Federal Register the average national non-instructional cost of post-secondary education and the expected student summer earning contribution at that the same that the schedule of expected family contributions is published in the Federal Register.

Page 5: Line 1: Insert after: "Shall submit: no later than September 1

Page 5: Line 4: Replace the word "ninety" with the word "forty-five"

Page 6: Line 25: Add the following new section after the end of line 25:

(iv) The Commissioner shall prescribe regulations that will take into account in the determination of the expected family contribution a major drop in the effective family income or the effective student income in the year of the filing of the application.

Page 8: Line 9: Replace the words "from time to time set" with: publish in the Federal Register at the same time as he publishes in the Federal Register the costs and contribution schedules in paragraph (3)(A)(i) the

Page 8: Line 16: Add after the end of line 16 as follows: The Commissioner shall provide or cause to be provided for distribution to all secondary schools sufficient applications for all graduating students. The Commissioner shall take care and make full effort to publicize the program described in in Subpart 1.

Page 9: Line 13: Replace $200.000.000 with $2.000,000,000.

Page 9: Line 24–25: Delete everything after "dents.

Page 10: Line 1–13: Delete all of lines 1–13.

Page 10: Line 16: Replace "$200,000,000" with "$400.000,000".

Page 11: Line 1: Add the following after the word "to": two-thirds of the following:

Page 11: Line 3–9: Replace with the following language: institution which that students attends, less a self-help contribution of at least $1500 (determined under section 411(a)(3)(B)), less any expected family contribution for such student (determined under section 411(a)(3)(B)).

Page 12: Line 18: Add: (c) Application for such grant shall be part of the application set forth in 411 (b)

Page 13: Lines 1–8: Delete Lines 1–8.

Page 13: Line 10: Replace "$200,000,000" with $100,000,000".

Page 14: Line 1: Replace the word "highest" with the word "average".

Page 28: Lines 3–24: Delete Lines 3–24

Page 29: Lines 1–6: Delete Lines 1–6

Page 29: Line 16: Add after '1975," $2,200,000,000 for the fiscal year ending June 30, 1976, $2,400,000,000 for the fiscal year ending September 30, 1977, $2,600,000,000 for the fiscal year ending September 30, 1978, $2,800,000,000 for the fiscal year ending September 30, 1979, $3,000,000,000 for the fiscal year ending September 30, 1980." and delete the rest of line 16

Page 29: Line 17: Delete "ending prior to October 1, 1980."

Page 30: Line 12: Replace "$1000" with "$1500".

Page 30: Line 21: Replace "$5000" with "$6000".

Page 30: Line 23: Replace "$10000" with "$12000".

Page 43: Line 7: Replace "$5000" with "$6000".

Page 43: Line 9: Replace "$10000" with "$12000".

Page 79: Line 8: Replace "$510,000,000" with "$520,000,000".

Page 79: Line 9: Replace "$540,000,000" with "$560,000,000".

Page 79: Line 10: Replace "$570,000,000" with "$600,000,000".

Page 83: Line 7: Replace with the following language: 75 per centum of such compensation for the fiscal year ending September, 30, 1977, 70 per centum for the fiscal year ending September 30, 1978, 65 per centum for the fiscal year ending September 30, 1979 and 60 per centum for the fiscal year ending September 30, 1980; except that the

Page 83: Line 8: Replace "80" with the words "the prescribed".

Page 83: Line 12: Replace "80" with the words "the prescribed".

THE STUDENT FINANCIAL AID ACT OF 1975

THURSDAY, MARCH 13, 1975

House of Represenatives,
Subcommittee on Postsecondary Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to notice, in room 225, Rayburn House Office Building, Hon. James G. O'Hara (chairman of the subcommittee) presiding.

Members present: Representatives O'Hara, Brademas, Biaggi, Mottl, Quie, Eshleman, and Smith.

Mr. O'Hara. The Subcommittee on Postsecondary Education will come to order. Today the subcommittee will be continuing the taking of testimony on H.R. 3471 and other bills dealing with the provisions of the Federal law.

Our first witness today is the executive director of the National Association of State Universities and Land Grant Colleges, who also happens to be an old friend. Mr. Ralph Huitt.

Mr. Huitt, if you would please take your place at the witness table.

STATEMENT OF RALPH K. HUITT, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

Mr. Huitt. Thank you. sir. Mr. Chairman, with your permission, I have asked my colleague, Mr. Jerold Roschwalb, to come and sit with me today. He is the director of Federal relations for our association and knows a good deal about the business at hand.

I would like, if I have the chairman's permission, to submit my formal testimony for the record and to make some comments here.

Mr. O'Hara. That would be a good procedure. Without objection, the text of your complete statement will be entered into the record and you may proceed in whatever manner you wish.

[The statement referred to follows:]

Prepared Statement of Ralph K. Huitt, Executive Director, National Association of State Universities and Land-Grant Colleges

Mr. Chairman and Members of the Subcommittee: As always, I welcome the opportunity to express the views of the National Association of State Universities and Land-Grant Colleges and my own views before this Subcommittee. In one form or another, over many years, Chairman O'Hara, Mr. Quie and we have been engaged, mostly on the same side, in numerous major legislative battles and we look forward to a continued productive relationship. It is worth noting that although the Chairman has only been in his present position for two years he has already distinguished himself for the supportive role he has played in many issues affecting the welfare of students in postsecondary education in the United States and the institutions which exist to serve them and the communities from which they come.

We are pleased to have the opportunity of once again commending the Chairman and his Subcommittee for the extraordinary open way in which hearings have been conducted during the past two years, with a host of witnesses given the opportunity of presenting the entire range of ideas regarding student aid and the role the Federal Government should play in that area. Likewise, we are gratified by the openness expressed by the Chairman when he introduced H.R. 3471, the bill under current consideration, indicating that although he felt strongly about each of the provisions in the bill none was set in concrete and each was subject to discussion, analysis and, as necessary, modification.

AT the outset I think it important to state that when the Chairman introduced his bill on February 20th I was meeting with a group of Presidents and other institutional representatives at the Oklahoma State University. On February 27, when the invitation arrived offering us the opportunity of testifying before your Subcommittee, I was at the University of Wisconsin on a similar trip. Also, as you know, currently, each day presents us with about a dozen subcommittee hearings in the Congress involving concerns relating to funding of the National Science Foundation, issues before the Budget Committee, problems in the area of energy research and development, crises in area of agricultural production and so on. All of these have consumed much of our attention. I do not relate this as an excuse, but rather as an explanation of why we have not been able to give your bill all of the attention it surely deserves even in the brief time we have had since its introduction. Further, as you know, initially, copies of the bill were available only in limited numbers. Therefore, we have not had the necessary opportunity to consult with our members and to receive their reactions beyond several initial responses. Clearly, we are dependent upon our membership for anything we can assert as a position of the Association, and we hope that before very long, perhaps within two months, we will be able to present to you more complete comments, including documentation. We understand that you are proceeding under a tight schedule, but we hope that these final comments will arrive in ample time for you to review them and for them to be of assistance to you.

As I read the bill, and particularly the statement you made upon introducing it, I find that the objectives are highly laudable. Our Association, as you know, Mr. Chairman, was represented by several witnesses at the various hearings you held last year. Their comments covered most facets of student aid legislation. We also were represented during your innovative seminars. I am certain, too, that the bushels of correspondence you have referred to were contributed to in no small way by our own members. You understand, therefore, why we applaud any effort made to keep tuition from rising at all institutions, with special emphasis, of course, from our advocacy position, in the public institutions of the United States. Similarly, we have been concerned for at least five years with the tendency of the National Government and some states' governments as well to turn to loans as a means of having students, even at the lower levels of the middle class, finance their postsecondary education

Our reason for being, dating to the 1862 law that established our land-grant institutions, is based on the desire to give genuine opportunity to every citizen in the United States to obtain education in which he is interested and which he is capable of absorbing. Keeping costs down is a key to attaining this goal. We also highly value merit and support of the most capable academically. Thus, as broad goals and objectives, little of what you propose in the legislation comes as a great surprise to us and little is there that we have not ourselves fully supported.

This really leaves then, one question. Would the particular recommendation for amending student assistance program authorizations proposed in your bill lead to the goals you identify?

Student aid has become the essence of Federal financial support in higher education. We regret the increasing loss of Federal program support, which seems to be based on the mistaken notion that quality education can be offered without substantial support for the basic maintenance of the institutions offering education. But student aid is performing a vital role today which we highly value. It may be proper to note that despite the role that it has attained, student and really only has a ten year history as far as Federal programs are concerned. Really less for many programs. For example, the BEOGs experience is only two years old, and a very unclear two years at that. Nevertheless, despite inevitable problems the record of Federal student aid programs is a good one. This good record makes us reluctant to change programs which have been established and are working on the possibility that a new program will work better and succeed in obtaining higher objectives. At the same time we favor improvements which would further enhance the existing soundness of programs. In reviewing H.R. 3471 we find several points which imply faults in programs. We hope to address those problems in this testimony and in future documents, offering alternative recommendations for their resolution in those instances where we do not concur with your own proposals.

It is important for us to note before dealing with specifics of any programs, that we recognize in H.R. 3471 the attempt to deal with student aid as a rationalized whole, despite the fact that the various elements of student aid came into being at different points of time and in different pieces of legislation. In the '72 Amendments attempts were made to consider the relationships between programs. However, we read in your proposals a more complete attempt to establish a rational structure involving grants, work and loans which—to use the current phrase—would "interface" with one another. Thus, any adjustments of one element must affect and be affected by the half dozen or so other elements. Because it is impossible to deal with the whole all at once, in our comments we must identify them separately. But we hope that by references across program structure our views of the interrelationships among programs will appear clear.

If we had appeared before this Subcommittee even as recently as last week we might have felt compelled to deal only with broad general principles addressed by H.R. 3471 and then present the questions we had on the implications and effects of the individual proposals. Admittedly, we are still today partially in an impressionistic stage and we still have many questions. However, in recent days we have begun receiving comments from our institutions which have tempered our understanding of the bill. Many real questions—without any sense of the answers—have become observations based on what we know or believe. We are a little more sure of the many proposals in H.R. 3471 which our members will want to support and which ideas they will question. I should stress, however, that even the analyses we are receiving from our institutions are preliminary views, coming from officials who have had only a few days at most to review the rather substantial 114-page document which comprises the bill.

With that as background, I will turn to commenting specifically on the particular recommendations contained in H.R. 3471 after a word on a program not proposed in the bill. We must emphasize as strongly as we can our concern over the fact that the Chairman has chosen to remove Section 419 dealing with the cost of education program from his bill. We have studied the Chairman's comments upon introducing the bill and are aware that the omission is not based on an antagonism to the concept as such, and that it will be given a hearing when the other elements of the Higher Education Act are before the Subcommittee. However, we think we would be remiss if we did not stress that the cost of education provision in Section 419 of the Higher Education Act *is not an institutional aid provision.* We along with our other colleagues in the higher education community, representing virtually everyone of our member institutions, attempted to convince the Congress in 1972 that a simple and direct institutional aid measure should be enacted, one which recognized the higher education institutions of the country as national resources which by some simple formula had to be supported in order to survive increasingly difficult fiscal pressures. The Congress rejected that idea but substituted Section 419 which we believe is fundamental to the relationship between the Federal Government and our institutions and, in reality, is no more than an extension of basic contract law. In brief, when the Federal Government seeks to have certain tasks accomplished and wishes to use some segment of the American economy or other sector of society to accomplish this end, the Federal Government undertakes to provide the financial means necessary for the other partner in the contract to carry out its task. This is true when we wish planes to be built for our military forces or when we wish roads to be built for our civilian transportation. It should be equally true when we decide that the national welfare calls upon us to provide genuine access to postsecondary education to a large number of our citizens, particularly those at the lower economic strata. The institutions are fulfilling their half of the bargain; the Federal Government, today may be said to be in breach of contract.

If the cost of education allowance provision were funded reasonably, the Federal Government would be acting upon what it has admitted to, i.e., it costs institutions money to absorb additional numbers of students whether they be economically disadvantaged or otherwise, but particularly when they come from educationally disadvantaged backgrounds requiring additional service such as counselling and guidance, including counselling on student aid. Funding the cost of education is deserved. If this cannot be done, at the very minimum, we believe that in amending the Higher Education Act this year, the Congress should provide an automatic administrative allowance of no less than 5% for *every* Federally sponsored student aid program conducted at an institution of postsecondary education. We commend the Chairman for proposing a 3% administrative allowance in the BEOG program. This shows a clear understanding that although in theory the BEOG program was to involve a relationship only between the Federal Government and students, in practice, it has turned out to be extremely costly to administer. Students will always have to turn to their own institution's staff for assistance whether it be in determining what forms they should fill out or for having the dollars channeled through institutions or for some other purposes. It should be obligatory on the part of the Federal Government to reimburse institutions for these additional costs, particularly in these times when dollars are so difficult to come by for higher education institutions.

We would recommend, too, as a derivative of the above idea the Congress establish a program in which the Federal Government undertakes to partially sponsor programs of training for student financial assistance officers. At too many institutions, primarily because of the lack of available dollars, dedicated and willing people staff the student aid offices. Too often they are untrained. Despite their best efforts they provide inadequate services to the students at their institutions. Institutions benefit from more competent staff and should be required to contribute to the training programs with their own funds taken from a more reasonable administrative allowance. These training programs could be handled by contract between the Office of Education and associations of student aid officers or with the more sophisticated institutions. Their experienced staffs are able to operate training programs for the benefit of their less sophisticated sister institutions.

May I note that with regard to comments on the specific program recommendations in H.R. 3471, we are in general agreement with the comments offered by Mr. Charles Saunders of the American Council on Education before this Subcommittee yesterday. Our own comments are presented to reenforce his general views and to emphasize special concerns of our own membership.

THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

(1) We support the recommendation that the college-based programs be fully funded before funds may flow to BEOGs. This will assure that the precise and repeated will of the Congress is implemented. Further, as noted earlier, the interdependencies among the programs requires other funding sources concurrent with the BEOGs program.

(2) If the program is to work, more certainty is necessary, and if the program is to attract all of the students the Congress intended to participate in the program it will require additional funds. This means that a higher appropriation level is needed and suggests that lowering the minimum award to $100 as the bill proposes would tend to dissuade students from participating.

(3) We concur in the bill's recommendation to change publication dates but suggest that the less extended period discussed by Mr. Saunders might be more practical.

(4) Also, having carryover funds used for work-study beyond the otherwise fully authorized level for work-study seems far more productive than either having the excess funds redistributed, as the law now requires or as the Congress has been permitting, having the funds carried over to the next year.

(5) With regard to the recommendation to delete the consideration of family assets we concur with the Chairman's statement that it is better to have some undeserving student slip through the net than having genuinely needy students deprived of participation of programs because of the unusual circumstances of relatively large assets in an otherwise indigent family. However, our institutions wonder if a total disregard of assets might not work other inequities. Perhaps the institution, close to that student and his family situation, might be authorized to "veto" a grant in part because of a special assets situation. (We continue to trust the judgment at the local scene more than the judgment of computers which is inflexible.)

(6) With regard to the deletion of the half cost limitation, we believe that it would simplify the program and generally be a more reasonable approach to the entitlement concept the program implies. We are concerned about the allegation that this amendment would lead to a major departure of students from small private institutions. What we know of students' behavior does not suggest this would occur. Also, if student aid programs are made over into a rational package, proposed changes in SSIG might take up the slack for the smaller private institution and even put them in a better fiscal position.

(7) We are uncertain about the level of individual grants. Instead of aiming at the current level, or a percentage of the current level, the amendments were to indicate what financial cost goal this program is intended to meet. For example, 50% of the average non-instructional costs at institutions of postsecondary education has a clear and logical basis. In fact, 100% of those costs is a reasonable path to follow since it treats the problem of providing at least minimum access to postsecondary education. We believe that only by making the program a genuine entitlement, despite the problems of budgetary uncontrollables, we achieve the programs' goals and remove the rationing devices now operating. (We note that under H.R. 3471 not only could we be rationing the BEOG program, but since participation in SEOG depends on eligibility in BEOG, cutting down the number of BEOGs participants at the same time cut the number of students eligible for SEOGs.)

As the Subcommittee determines the final operational structure of the BEOG program it may wish to reconsider some of the current problems which our associational advisory committee on student aid has pointed out to us:

(1) The program's timing does not coincide with other current student financial aid calendars.

(2) It requires separate application forms different from any other that the student or the student's parents complete. Recipients of BEOGs tend to come from backgrounds where filling out complex forms creates additional burdens.

(3) The routing for awarding grants differs from other programs, involving back and forth communication among contractors, students, institutions and extending the time from application to award.

(4) Because of some of the above problems it has been necessary for aid officers to recalculate the student's original award in order to tie into other award programs.

(5) Finally, and this is being dealt with by this Subcommittee in another setting, the needs analysis system must be revised so that it is first understood and second reasonable with regard to what students can be expected to receive from their families and what they may receive from the Federal Government to enable them to attend postsecondary education institutions.

COLLEGE BASED PROGRAMS

(1) We recommend consideration of an idea set forth recently by Mr. Quie which would award funds for college-based programs to institutions in one lump sum and permit them to determine allocation among grants, work-study and loans. Once an efficient formula were devised for equitably distributing funds among institutions much time and paper work would be saved by relying on the judgment of the professionals on the campus scene to determine how the money could best be used. We believe that institutions would not use unreasonable amounts for grants or for the other two purposes. Congress could

set a maximum percentage of the total sum allowed for any category to guarantee that this problem never arises.

(2) We agree that the formulas that have been used for determining allocations in the college-based programs require major overhaul. A single formula for all three programs seems appropriate. If an equitable distribution is achieved, then the 10% discretionary funds held back for the Commissioner to correct allocations would be unnecessary.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

Of all the major proposals in H.R. 3471 those concerning SEOGs have resulted in the largest number and most anxiety-filled comments from our member institutions. The following observations and questions have been presented to us

(1) Of the current 350,000 participants in the program, a very large percentage are not eligible for BEOGs. This is not because they are not needy, but because under the current funding levels family incomes eveen in the range of $10,000 or $12,000 are sufficiently high to create ineligibility. Office of Education statistics show that SEOG has been used consistently to help students with great need most of whom, under the bill's provisions, would be deprived of all Federal grant aid. It may be that an increase in SSIGs could be used to offset some of the loss of SEOGs. However, in states where the major amount of the funds would flow to students in private institutions, if this were in keeping with the law, many students at public institutions might be harmed.

(2) The bill makes SEOGs open ended, allowing for a full cost of attendance grant. This would reduce the number of awards to perhaps 40,000. Ironically, might this serve in a small way as an inducement for raising tution at those institutions which could expect a large influx of merit scholars bearing SEOGs?

(3) The question of merit is especially important. We fully endorse the notion of the Federal Government assisting students who are clearly the academically superior percentage of their generation. Their attaining professional goals as a result of education and training will accrue to the welfare of the society at large and ultimately pay back our investment. For that reason we have strongly endorsed continuation of graduate fellowships and traineeships at the several Federal agencies which have operated such programs. Those are clearly merit based. We also would favor a Federal merit scholarship program at the undergraduate level if it did not confuse a program which has as its fundamental purpose aiding students in financial need. At the graduate level merit is more easily determined by undergraduate academic records and other measurable accomplishments. How would merit be evaluated and who would decide it before a student entered college? Until the National Institute of Education can produce insights into non-biased examinations (which this bill likewise calls for and which we fully endorse) standard testing cannot be profitably used. How would students in academic oriented high school programs compete against those in vocational programs?

(4) The authorization of $200 million for the program is less than the program contains now. We doubt that level would be sufficient for the restricted purposes of the proposed bill. It certainly would not be enough for the program as we believe it should continue to operate.

(5) We believe in the value of discretion at the local level. Some important facts and the interpretation of those facts cannot be fed into or brought out of national computerized systems. The record of awards in this decade-old program indicates the vast majority of funds going to students from the lowest income levels. Except for the problems with the formula for distributing funds, there have been few allegations of abuse.

Mr. Chairman, we are seriously distraught at the possibility of the current program being terminated by the Congress. In sum, untill the BEOG program can be funded in a way to deal with need in a realistic manner, an SEOG program based on need is imperative. In addition, even with most extensive BEOG program we believe that some flexibility for determinations at the local level, taking into account such matters as differences in regional cost of living, will always be necessary to some degree. We believe the pluralism reflected by our different types of institutions of postsecondary education needs the bolstering of an SEOG program so that lower income students in higher cost institutions will not have to leave those institutions solely to the very poor and the very affluent.

Considerations we recommend to this Subcommittee for the amendment to the current program include:

(1) The number of half-time students attending postsecondary institutions be included in any future allotment formulas to more accurately reflect existing situation of institutional enrollments.

(2) The matching provisions might be removed since restricting the grant to a maximum of half of the student's financial needs insures that the funds are not used to overfund the student.

(3) While we express doubts in an open-ended grant given the inevitably limited amount of available funds we agree that the maximum amount should be increased by 30% to reflect the actual costs circumstances in institutions of postsecondary education.

(4) The current distinction between initial and renewal grants creates administrative confusion without maximizing the use of the funds. Requiring is no real requirement for this democracy to give students a "free ride" as far students previously receiving SEOG awards would accomplish the same purpose.

COLLEGE WORK-STUDY

From perhaps its earliest days this Association has maintained that there is no real requirement for this democracy to give students a "free ride" as far as higher education is concerned. There is much to be said for having students work their way through college. It has been the informal but deeply felt belief of our membership that any student should be required to pay for his college education, the amount to be determined very simply by the sum he could be expected to earn and save during summer vacations, plus the sum he could be expected to earn and save from a reasonable amount of part-time work during the academic year. Having performed that work and contributed the savings accrued to the cost of his education, the student should be required to do little more. Not go deeply into debt and not work unreasonable hours. We find the motivation of the amendments proposed in H.R. 3471 entirely in keeping with this tested principle.

There is much to say in favor of the experience of the Work-Study Program. Students have had work experience otherwise possibly denied to them by the absence of jobs in the community. It has enabled students and faculty and staff to work along side one another on institutions' operational problems. It has brought faculty and staff closer to students, enhancing the sense of academic community. It has aided institutions in having necessary work performed by competent employees. It's flexibility has permitted students to work in those parts of the year best suited to their academic programs. It has helped students at all institutions, particularly at the more expensive ones, from taking on untenably large indebtedness. Having operated on a forward-funded basis, it has enabled institutions and student to plan for approaching academic years. And it has contained an administrative reimbursement which has kept the program from becoming an additional burden on the institutions, since this is a program which involves the most administrative time for payrolls, time records, and other accounting requirements.

(1) Ultimately, one comes down to dollars. In the past there has been insufficient funding for the program so that a large number of eligible candidates, particularly on the post-baccalaureate level have been denied opportunities they need.

(2) As in the other college-based programs the allotment formula has left much to be desired and your recommended change to proportional enrollment is a positive step toward dealing with that problem.

(3) The recommendation in the bill that minimum wage be required is one our membership would endorse, (in fact it already is in practice at many schools despite the official authorization for paying subminimum wages) if sufficient funds exist; otherwise, paying minimum wage can cut out participation for other equally deserving students. The high cost of living today justifies payment of minimum wage in this program.

(4) A common complaint about the program involved the restriction preventing funds from being carried over to the next fiscal year. Some flexibility here would in no way weaken the program and would provide better opportunities for the students it is intended to help.

(5) We also concur in the notion of permitting students to continue working beyond a pre-determined "need" goal. Currently, students are required to

abruptly terminate employment when they reach a certain level, notwithstanding the nature of the work on the jobs being performed. However, regarding a "needs test", two important questions arise regarding the proposals in the bill. If financial need is *wholly* eliminated in determining which students are offered work opportunities, we think there is a real danger of a maldistribution of funds, done in good faith but with questionable results. Academic departments always seek bright assistants for laboratories, libraries and other research projects. They could seek and perhaps secure a too large proportion of an institution's available work-study funds. Their students will, without any doubt, earn their pay, but they may be in less difficult financial straits than some of their fellow students whose work opportunities determine whether or not they can remain in postsecondary education institutions. This fear is based on the second issue, the bill's authorization level. (The Chairman has a valid concern that the Congress not surrender its responsibilities by authorizing an encyclopedia of programs at reasonably high levels. However, recently the House voted an additional $120 million for Work-Study. A few years ago $420 million for the program might have seemed unreasonably high, but current circumstances in the economy justified to the Congress the additional appropriation. This instance does not weaken the basic principle in the Chairman's argument, but it does suggest some flexibility in authorization levels and even in entire program authorizations may be in order.) Authorization levels recommended by the Chairman call for increases of $30 million annually for the next five years. Full funding of this program likewise is built into the legislation in trigger mechanism fashion. We wonder, however, if we are going to remove the needs test, thereby opening the program to a vast number of other participants, should not the authorizations and consequent appropriations be increased proportionately?

COOPERATIVE EDUCATION

This is a fairly specialized area of work-study program. Although institutional experience has been limited we believe that in part this is due to the lack of sufficient funding. This is a complex program and comparatively expensive. We endorse the Chairman's recommendation for increasing maximum grants to institutions or consortia institutions. Given the recommended funding levels, we also endorse the priority recommended by the proposed legislation for institutions clearly committed to cooperative education, demonstrated by the nature and size of the program as well as established relationships with business and industry.

NATIONAL DIRECT STUDENT LOAN

In a more ideal world we would fully endorse the Chairman's view upon introducing his bill when he stated that precisely those students who could not obtain loans in the commercial market should not be burdened with loans in any form including those available from institutions. Existing conditions however make us pause. Our membership does not like loans, not what they imply and not what they do to the lifetime plans for young men and women who have to make career and personal decisions upon graduating from college. Having those decisions formed or distorted by the debt burden they carry upon graduation is regrettable, but costs charged to students by institutions, public and private, are not imposed out of unconcern. Institutions need to raise a certain amount of dollars in order to operate. Students need to raise a certain amount of dollars in order to pay these costs if they are to remain in school. Over the next decade perhaps we might be able to roll back these costs through some variety of revenue-sharing/SSIG program. In the foreseeable future, many students will have to borrow money and will not be able to borrow it in the commercial market either because of a lack of sophistication and family experience in dealing with banks or because they live in one state and go to school in another or because, as is too often the case, the banks very rarely are enthusiastic about the prospect of making such loans to students.

(1) Much needs to be done to correct the existing operations of the NDSL program. In too many schools the collection rate is too low, possibly because the Federal guarantee takes away the incentive for the institution to collect these funds. Were the program to continue in its present form perhaps new funds should be permitted into institutions only when they have established a satisfactory collection rate. In fact, recycled dollars might well be removed

from institutions who had failed their obligation to collect sufficient borrowed monies. We do not argue with the Chairman's view that banks are lenders and institutions are there to teach and do other educational services. But we would want to make very certain that important numbers of students enrolled in our institutions would not be forced to drop out of the institutions simply because their institutions no longer were able to serve as lenders to them after a given period of time. We are particularly concerned about the impact of H.R. 3471 on students in our historically black institutions. Officials there with whom we have discussed the issue speak of losing up to 15% of their enrollments without an NDSL program.

(2) In these comments on this program we again reveal our great belief in the value of financial aid decisions made on the campus. Because of the nature of most of our member institutions—for the most part they are large and well staffed with student aid officers—our views may not be applicable to other smaller institutions. But we know we share with many smaller institutions the belief that this program has been the lifeblood of student aid on many campuses where aid officers have the flexibility to adjust awards on short notice as a result of changes in financial circumstances of students. It is this kind of flexibility and genuine service to students that makes us believe that such vital needs are impossible to find in the non-campus based loan programs.

(3) We repeat our endorsement of the desire of the Chairman to keep the amount of dollars borrowed by students to a minimum. However, in Louisiana in FY '73 the lending institutions distributed $5.92 million in FISL funds and institutions of postsecondary education distributed $4.87 million of NDSL funds exclusive of collection dollars. In that state the banks indicated to officials at our member institutions that they did not see how they could fill the gap, even with an active Sallie Mae, should the NDSL be terminated. (We doubt that this state is unique.)

(4) One great concern in all student aid, and this has been mentioned earlier, is predictability. That is the reason we call for genuine entitlement in BEOGs and the reason we ponder what would happen without the basic NDSL program for those students who must borrow. It is also important to stress that the NDSL program is one of the few programs available to graduate and professional students at a time when assistantships and fellowships have been decreasing in numbers, particularly those funded by the Federal Government.

FEDERALLY INSURED STUDENT LOANS

Some of the principles enunciated in discussing the National Direct Student Loan Program above apply here too. Again, we concur in the Chairman's wish to limit the amount of indebtedness taken on by students particularly those who come from lower economic strata families.

(1) We agree with the Chairman that it is imperative that this program be straightened out, in part by putting a halt to the excessive default rate.

(2) For the same reasons as noted earlier we question H.R. 3471's proposal to limit lenders to commercial banks and other lending institutions. Rather than eliminating institutions as eligible lenders, the law should provide clear restrictions on when institutions can become lenders, i.e., when the commercial banks simply are not doing the necessary job, and when institutions can demonstrate this in a reasonable manner. (I am informed, for example, than in 1974–75 students in the Indianapolis area generally were unable to secure GSL's if they had not previously been borrowers from the area banks. Had the institutions not been authorized to be lenders, many students would have been penalized because of this policy of lending institutions. Where the lending community fails to meet genuine needs, only institutions are able to take up the slack.)

(3) As has been noted in recent years by spokesmen in higher education, we believe Congress should give serious consideration to modifying the current subsidy provisions for this program. It has been argued that the banks would not participate if the provision were not there. However, we wonder if the banks could be provided with a guarantee comparable to the one they have today whether many would drop out and whether any student or his family seeking a loan would object to the slightly increased cost of the loan if it were made more readily available to him. Eliminating the subsidy would free hundreds of millions of dollars to be used in other grant or work or loan programs without increasing the drain on the Federal budget.

(4) We endorse the Chairman's recommendation in the bill to simplify the special allowance for banks by using the 90 day average of treasury bills formula. This is a simpler approach than the current complex procedure. It is one that the banks understand and one which provides a degree of certainty as well.

(5) Since we agree that students should not be permitted to go into excessive debt, we are inclined to concur with the proposal to lower the loan ceiling. (There are all sorts of potential side effects to increases in student indebtedness. Will the housing market ultimately be seriously affected as young couples who are heavily indebted college graduates choose not to delay purchase of a first home as has been traditional in this country?) What we need to know is what the short and long-range impacts of lowering the ceilings will be? Certainly the cost to the institutions will not be lowered to meet the less available funds to students. In medical, law and other professional schools every indication is that costs will rise fired by the reasoning that most of the graduates of such institutions will be earning substantial incomes shortly after graduation and will have no difficulty in repaying these loans. Perhaps for this small number of students banks may provide dollars outside of a Federal guarantee program. But the bulk of students do not fit these circumstances and may, at least in the years ahead, still require some source of large loan funds.

(6) Many of our members inform us that the state programs tend to operate more effectively than the Federal program. If this is so, we concur with the bill's emphasis on state agencies and state guaranteed programs. (We are concerned about the impact of state agencies as lenders. Floating loans at 5% to raise cash for student loans at 10% is a policy worthy of examining if Federal guarantees are involved. Such "easy loans" could be used to justify increases in tuitions since there would be no "hardship" on students to find the dollars to pay the high costs.)

(7) There are some other provisions in the new proposal which need review.

(a) The minimum period of time available for students to repay loans seem to be discussed inconsistently in the bill, Section 427(a)(2)(B) affords the student a five-year minimum period, Section 427(c) indicates a minimum payment of $30 per month. Perhaps a $30 per month payment schedule, not to exceed 10 years, would be the wisest.

(b) The bill provides a deferment of payment of principal for students entering the armed forces. Deferment was appropriate when based on the fact that for a long period of time the military had a very low wage scale and was basically comprised of draftees. With the volunteer army of today and its very substantial pay levels, often equal to or greater than civilian work for the same person, the deferment might well be deleted.

(c) Reconsideration should be given to the recommendation to continue the $15,000 adjusted income rule for determining eligibility for interest benefits (assuming they are continued). Given the past years of inflation the figure of $15,000 no longer means the same thing it did when it was originally enacted. Raising this to $20,000 would seem to be more realistic. (We respectfully refer the Subcommittee to the recommendations on the operations of these programs which we have submitted as part of an analysis jointly prepared by representatives of the Association of American Universities and our own Association.)

STATE STUDENT INCENTIVE GRANTS

Although this program has only been in operation for two years it has perhaps appropriately been hailed as a great success on the grounds that prior to its enactment only a relatively few states had student incentive types of grants, while today we are only a few states short of having such programs throughout the United States. The program may be too new and may involve too few dollars to determine some central issues.

(1) We know, for example, that there are several states which prohibit state funds from going to private institutions and a few which exclude public insitutions from an SSIG type program. Clearly, geography should not play so important a role in a Federally sponsored program. On the other hand there are legitimate constitutional issues which affect the possibilities of the Federal Government requiring uniform standards in all of the states.

(2) From the point of view of an advocate for the public sector of postsecondary education it is extremely important to determine what impact the

program has had and, more significantly, what impact the proposed program would have on the fiscal stability of public institutions. Determining fair allocation between public and private may be difficult and depend on definitions of fairness. However, the concern of large numbers of administrators at public institutions is that, in order to obtain the necessary matching funds, states might be inclined to reach into the appropriations for public institutions, doubling them by matching and then turning substantially more than half over the private sector by way of grants to students.

(3) Congress, therefore, should investigate the necessity of sharply prescribed "maintenance of effort" provisions which would guarantee that the states, in order to obtain Federal dollars would increase their own allocations to higher education rather than supplanting funds already committed for higher education with Federal dollars.

(4) It is equally important that any "maintenace of effort" requirement by the Federal Government not serve as a penalty on those states which have a good record in supporting student grant programs. Their past efforts deserve recognition. They should not be required to make disproportionate increases to receive a rightful share of Federal dollars.

(5) As was mentioned above in discussing work-study, we have some concern over the absence in the proposal of a need based determination for distribution of SSIGs. Given the limited funds available we are not sure of what other basis would be as equitable as need for allocating Federal dollars.

(6) The specific formula recommended in the legislation to be used for distributing funds may present immediate problems. It is our understanding from colleagues who have done initial "runs" of the distribution of the funds that as many as six or seven states, in part because of their heavy enrollment in private institutions, would be zero funded under the formula. That may simply require an adjustment of the formula.

(7) Of some concern, too, is the bill's recommendations that the use of SSIG for facilities be limited to zero tuition institutions, and that all other funds be restricted to student grant and work programs. As we reviewed early drafts of the Kirshling recommendations it appeared that the Federal Government was being urged in this instance to truly rely on the wisdom of state officials to determine how best to use these funds. No doubt some Federal guidelines are necessary, but a wide range of uses might well be appropriate, since any enhancement of the higher education community in a state ultimately accrues to the benefit of the students.

(8) Also of interest is the lack of a precise eligibility statement for part-time students. This may be one of the major current inequities in the distribution of Federal and other funds among students in postsecondary education. As we look toward the future, with the expectation that part-time students may be the major new clientele in postsecondary education, it is incumbent upon us to determine how best to assist them in all ways including equitable student aid.

(9) An issue not clearly addressed in the bill is that of portability. To promote cosmopolitanism in the best sense of the term at institutions of higher education, it is felt by many of our colleagues that students should be permitted to take their grants and move freely about the country with them. At the same time, among our member institutions there is concern over the wisdom of allowing limited state funds to be taken from the state to other often richer states. This is one more issue not readily resolved, but one which should be reviewed for policy purposes by the Congress, particularly with regents to amendments to the SSIG program.

VETERAN COST OF INSTRUCTION AND SPECIAL PROGRAMS

We believe that the VCOI program has been a success in achieving greater services for veterans. It is possible that in future years the nature of the veteran population and other existing student aid programs would obviate the need for the special programs. We wonder, however, if collapsing the VCOI program into the Special Service Programs may result in somewhat depleting services in the Special Services Programs for their traditional constituents. The question may be one almost strictly of available appropriations but is worthy of attention.

A final observation. We strongly endorse the recommendation in the bill that the National Institute of Education be directed to conduct a variety of experimental programs to determine the effect of open admission or no tuition policies on student access and choice and institutional viability along with other specified studies. Since much of what we hope to accomplish through student aid programs will have to be based on knowing how students and their families behave and what impacts the various approaches to student aid programs have on the fiscal health of states and institutions, private and public, the findings of these studies are imperative if we ultimately are to create an efficient and rational body of legislation supporting students in postsecondary education.

Mr. Chairman, we thank you for the opportunity of presenting these views. We hope they prove useful. We repeat again that they are necessarily short of being definitive, but we believe they are representative of the views of our members at this early point. We shall continue to study the proposals recommended in H.R. 3471 and in other proposals now being made public such as those of the Carnegie Council. We hope that we will be able to submit additional information to you.

Mr. HUITT. Thank you, sir. I am real proud of that testimony, Mr. Chairman, because it has a lot more in it than I really know about this subject.

That bothered me for a bit because I might not be able to answer all of the technical and detailed questions there might be.

Then I reflected that if I could answer those technical and detailed questions, I would probably be making about $10,000 a year less.

As a result, I had Jerry come along with me.

Mr. O'HARA. I have a similar problem.

Mr. HUITT. Mr. Chairman, I am proud to be before this committee. It is a committee that is dedicated to higher education, cares about students and wants to help them go to college.

Let me say, Mr. Chairman, I had a great teacher in the legislative process who taught the students that no government and no group of interested citizens had any monopoly on patriotism, judgment or concern for the public interest.

That teacher's name was Johnson and he came out of the hill country of Texas, and knew a good deal about legislation.

What he really did was to leave us with the notion that none of us was God Almighty who knew all that should be done.

We feel the committee does care about college students.

We do not have an official association position on most of these points because we make our official position through the Senate which meets once a year, and then we have an executive committee that meets four times a year which takes official positions.

However, it is not quite off the cuff. We have been getting some sense of what some of the impressions are in the country.

If I may then, I would like to move on to talk about some specific parts of the bill.

Let me say, first of all, we appreciate very much the long and painstaking hearings this subcommittee has held, the absolute openness with which they have been held, and the very large sample of interested people who have been heard by the subcommittee.

That is the kind of process with which we have a great deal of confidence, so we thank you for it. We think it is a good thing.

Let me comment on some of our responses and some of our feelings about the aspects of the bill, H.R. 3471.

In regard to the BEOG's, we like the liberal attitudes expressed by the chairman in his opening comments toward changing the importance of assets, the desire to take that out and run the risk that perhaps an ineligible person might slip through sometimes.

However, there would be many more who would be served without that particular requirement.

We like the elimination of the half-cost limit on BEOG's and we agree that a college-based program should be funded before the BEOG's are funded. That has been the attitude of Congress all along and we have continuously supported it.

We agree also that the "needs" analysis should be revised as the chairman thinks it should.

In regard to the college-based programs, we have great confidence in the decisionmaking process there. We have a feeling that the people who make those decisions are in the main competent people and certainly dedicated people who want to do the right thing.

They are closer to the situation, so they do have a chance to see things which a computer might perhaps miss.

We also like Mr. Quie's notion of the lump-sum grant which might then be used at the discretion of the institution.

Of course, the allocation among the institutions would have to be run by a fair formula but if that could be worked out, then Congress could stipulate the categories in which the money could be spent.

Some discretion among the officials of the institutions seems, to us, a good thing.

We are not happy with the abolition of the SEOG's and the substitution of the merit awards.

Let me state very clearly that I appreciate the idea of merit awards and I appreciate the idea of allowing some qualified persons to be given help so that as we try to meet the requirements of fair play and nondiscrimination in the employment of minorities and women, we believe the pipeline has to be full. We are a little concerned about that, that somewhere down the road when some very liberal person is elected to the Presidency and will suddenly say these programs must be carried out.

We do not believe that there is in the pipeline, at this moment, in graduate schools. in professional schools a requisite number of minority people and women to meet the needs for those programs.

Nevertheless, even though I would like to see some earmarked funds for that, I do not really like the idea of taking this away from the needy.

I think the merit program ought to stand as totally a merit program and the needs program as a needs program.

We are afraid that if we go to an open-ended, full cost kind of SEOG, that of the 350,000 participants in that program now, many without BEOG's, some of them would have a very hard time making it.

Let me take an example if I may, which is strictly that, just an example.

I do not want to generalize too far, but if the SEOG or the merit plan, whatever you choose to call it, were open-ended for cost and based on the prior award of the BEOG, that would affect one of our institutions this way.

This one is North Carolina AT&T University, a very good school which has about 5,000 students. The president of that institution is a splendid leader of higher education. He was our president last year and he is now the chairman of the Executive Committee.

We called on him to ask him what would happen. It turns out that in that school all the SEOG's would be eliminated because it is not an expensive school and there are a lot of people to be helped. So they give a BEOG and the student who gets that has got what he is going to get.

The SEOG is used for disadvantaged students also but they are a little bit over the line. They are people who maybe got a $1,000 more in income than they should have to get a BEOG.

It was their estimate that if the SEOG's were eliminated or applied only to students receiving BEOG's and if in addition, the NDSL program were eliminated, they would lose 15 percent of their enrollment.

There are some priorities here and every person has to make his own choice. We see the full-cost SEOG based on merit as going to special people and reducing the number of students that can go through, because they cannot get more money for those programs.

As I say, we have to have a priority some place. Our priority, right or wrong, would be that we would rather see, under this program, six students go through A. & T. than one superblack go through Harvard.

We recognize the necessity for an increase in the maximum for the SEOG's because inflation certainly has made that necessary.

In the work-study program, Mr. Chairman, we like the emphasis in your bill on work study. We share the old American notion that if a student can work his way through college, it is a good thing.

We believe that a proper balance is what the student should have if possible. That is, what his family can pay, what the student can make in the summertime, what he can make through part-time employment and the work-study program is about what he should pay, about what he should be expected to do.

We think it is a good thing to have students work. We believe it brings the faculty, the staff and the students closer together.

We think it makes the student have a sense of participation in the welfare of the institution and the increased funding of the work-study program, we believe to be a good thing.

We think this program has succeeded. We think that the forward-funding of the program and the administrative reimbursement provision have been helpful in making this a good program.

Moreover, sir, we support the notion that the students should get the minimum wage. It may reduce the number a little bit, but it is fair.

As a matter of fact I may be stepping on the toes of some of the people I am not supposed to step on the toes of, but I like the idea of minimum wage for students.

I know something about the rancor a student feels who works for his university and gets less money per hour than high school students.

Then if he drops out of the university for a while, he can continue to work for it at an increased rate.

This has always seemed to me to be not only an unfair proposition, but one of the best ways in the world to alienate alumni.

I do not believe I would love any institution which had exploited me quite that way.

We think it is good that you are providing that students should be allowed to work beyond predetermined need goals. It may very well be that a student has a very good working relationship and is doing something he enjoys and profits from.

There is a value to the work itself, the fact that a person is working. So if you say on a certain day a student has to quit working simply because his need has stopped, it is something with which we do not agree either.

But I am not sure that need should be totally eliminated. We think there should be some possibility for consideration of need because, having worked with the universities, we know the expertise with which some professors can collect assistants and people of that sort.

We may not then really be helping needy students, you maybe helping not-so-needy professors.

To be able to eliminate someone because he really does not need this work, it seems to me, is something which should be helpful.

We agree with the need of an increased authorization.

In regard to the national defense student loan program—you can see my origins, Mr. Chairman, because I still use the wrong terminology. I mean the national direct student loan program.

We agree with you that for a student to go to work with a large load of debt is a handicap which is no favor to him and we would rather not see that.

The reason why we support the maintenance of the direct student loan program, at least for a while, is because it is essential to a lot of students.

We know many institutions where this may be all a student can get and he would rather take the direct student loan and run up some debt than to have to drop out of the institution altogether.

We agree with the chairman that the collection rate is too low. We believe it would be legitimate, perhaps, to cut off the funds to an institution which has too poor a collection rate.

We should say to them this recycling of money is not going to continue unless they collect at least a fair percentage of the loans they make.

We agree with the notion that perhaps institutions should not be lenders but be in the business of instruction, but some students must have this kind of loan and can get it if the institution has that kind of money.

We think, again, it is good to control these loans on the campus where there is an opportunity to take into account what the student can do and so forth.

We do not really believe that the guaranteed student loan program can fill the gap.

Mr. Chairman, in commenting on the Federal insured student loans, I must admit here a personal bias. I sat in on the establishment of that program and I had a kind of gut feeling all along that it never really was going to work well.

I kept listening for that note of assurance, that note of guarantee in the voice of the bankers which would make me believe that all across the country this guaranteed student loan program would fall like a manna on all of the needy studnts.

We have heard too many stories about students not being able to get guaranteed student loans.

If I may cite my own experience, my own two children established themselves as independents but could not get the guaranteed student loans. They had to give up being independents and let me borrow for them from the Riggs Bank.

I must say it was a very low rate of interest that I paid to the Riggs Bank but this was simply a way of installment paying for me over the year that my daughter was in college.

I know that many students have been helped by this program and yet I am not altogether happy with it as a way of attempting to carry the students who need loans.

We do question the need for a subsidy. I am not here suggesting that the bankers should not make the higher rate which they would get from the students if the present rates were maintained.

What I am suggesting is that I do not believe that the lower interest rate is what the student is most attracted to.

I believe a lot of students would have paid the regular interest rate over the longer period of time because I think the attractiveness of the program to them is the fact they can carry it and can pay it later.

I think the subsidy ought to be put into other purposes, such as assistance to students themselves.

We like the simple approach to interest rates which the chairman suggests of applying this to the 90-day average of Treasury bills because it is too complicated as it is now.

We like the emphasis or the States as sponsors of guaranteed student loans because we have confidence in the States. We are not convinced—here we may be alone—that the student in the Armed Forces these days needs the deferment on the payment on this loan.

I am impressed with the rates of pay of entering privates in the Armed Forces these days. I am rather confident that a man with $5,000 or $6,000 salary can make a payment on his loan.

We like also the National Institute of Education's studies that the chairman has put in because we believe that this would be extremely helpful in understanding what is really going on.

Finally, I have had some correspondence with the chairman on the matter of cost-of-education allowances and I want to emphasize this one thing.

We do not view this as institutional aid. We view this as what it is called, part of the cost of the institution's carrying on what the Federal Government has decided to support.

It may be that the cost-of-education allowance is not the way to do it because certainly its track record, as everyone knows, is poor.

You cannot lose every game and still be absolutely right. Something is wrong when you cannot win at all.

It might be that in this relationship, which I think essentially is a kind of contractual relationship between the Government and the institution in which the Government says to higher education institutions, as it might say to airplane builders, there are resources we need and we want you to supply them.

I think we might consider such a thing as for instance, a 5-percent administrative override on the frank notion that this money goes to the institution simply to pay part of the administrative costs of the program.

You are suggesting, Mr. Chairman, a 3-percent administrative allowance on the BEOG's. We think that is very appropriate because this program which was going to work automatically because it would just come spewing out of the computers with no problems, has become the most difficult to administer.

It has taken a lot of time and money.

We appreciate the fact that you recognize that and want some allowance for it.

However, we also suggest, and this is not in the bill, that it might be worth something for the Government to help in the training of student-aid officers.

While there are some really competent, expert people on some of the high-priced campuses and some of the campuses with less money and fewer students, the student-aid offices are not necessarily as good as they ought to be.

Whether it is contracting with student-aid officers, organizations or whether it is a matter of contracting with some of the more sophisticated institutions, we believe in the long run everyone would be better off if we could be sure that all the student assistance officers know their business.

Mr. Chairman, that concludes my informal comments and I would appreciate the chance to answer questions. Thank you.

Mr. O'Hara. Thank you very much, Mr. Huitt. I appreciate the context of your remarks and the tone of your remarks.

I have never made any claim really that I went up on a mountain to get the contents of H.R. 3471 or that I had divine assistance in any way.

Mr. Huitt. That is the way it used to be Mr. Chairman.

Mr. O'Hara. Yes, I have heard that and I think we will make a better bill of H.R. 3471 if we have frank discussions of its provisions.

After all, we are all basically after the same objective, which is to assist the students in entering and completing of postsecondary education.

The whole business of institutional assistance does, I think, need to be reexamined and I can give you my absolute assurance that we will give it a thorough examination at the time we do the rest of the Higher Education Act.

I just think that there are problems with the current cost-of-instruction program as you pointed out. It has never gotten any money.

I am not sure if we ought to hang onto it for dear life because I am not sure it ever will get any money. Maybe we ought to take a look at it and see if there is not some way we can redesign that program, so that it will make more sense to all of us, to the Office of Management and Budget and to the administration and the Appropriations Committees.

We need to get something that is a little bit better than what we have.

Mr. Huitt. You named a number of requirements of unequal difficulty, Mr. Chairman.

Mr. O'Hara. Yes, I have, but, nevertheless, they are all there. I think one approach we might take is your administrative overhead kind of approach because certainly there is an administrative overhead involved.

We ought to give that more serious consideration. I certainly appreciate your comments about the college work-study expansion and your approval of my requirements for Federal minimum wage to be paid.

I do not want to get an argument going with my distinguished friends here but I bitterly oppose those provisions in the minimum wage law that introduce the concept of the subminimum wage for students.

To my mind, that is maybe the worse thing we have done to the Fair Labor Standards Act since I have been in Congress. We have done a lot of miserable things, but I think that one takes the cake.

To say that someone who is a student is entitled to less for the same work than someone else is, I think, unfair, so I certainly did not want to carry over that principle into my legislation.

I appreciate your support on the guaranteed student loan and the NDSL.

I promise you I would not think for a minute of abandoning NDSL, if I were not, at the same time, prepared to take what steps seemed to be necessary to make this student loan work.

Maybe you are right; maybe there is not any way of making it work and that is something we are going to have to explore here in these hearings.

Obviously we need a loan program. I think too much emphasis is put on loans, though.

Mr. Huitt. Yes, I do, too.

Mr. O'Hara. That is reason for part of the changes we made. I think loans are a necessary part of it, however.

I do not know about you, but I had to borrow in order to complete school.

Mr. Huitt. Yes, it took me about 7 years to pay it back, as I recall.

Mr. O'Hara. It was hard too, wasn't it?

Mr. Huitt. Yes.

Mr. O'Hara. I had the same experience which is one of the reasons why I am not ready to casually run students into a $10,000 debt while they are going to college.

I think that we can do them a terrible disservice by making loans too easy and encouraging loans.

I thank you very much and as you know, I am certainly going to be in touch with you and Mr. Roschwalb during the consideration of this.

I value your advice and assistance. I am sure we will talk about it many more times before it goes into legislation.

The gentleman from Pennsylvania?

Mr. Eshleman. Mr. Huitt I have two questions. The first I asked of most of the other witnesses.

Would your organization favor carrying over the unused BOG money from this fiscal year into next to possibly raise the $1,400?

Mr. Huitt. Yes, we would favor that.

Mr. Eshleman. You would favor that?

Mr. Huitt. Yes.

Mr. Eshleman. The second question is the average tuition—what is the national average, at a private institution—let us say it is $2,200 in round figures and in a public institution it is $450 from the information that I have.

Would you agree that the final form of this legislation, whatever the final form is, and there is no one in this room today who knows just what the final form would be, would you agree that this legislation should reflect additional aid to those students who elect to go to a private institution?

Mr. HUITT. I think that is one I would like to look at when the actual arrangements are being talked about.

If I understand what is happening in the country, Mr. Eshleman, this problem is being worked out within the States.

There are about 35 States which now give—is that not right?

Mr. ROSCHWALB. Forty-plus in the SSIG program. Only a handful making direct grants to private institutions.

Mr. HUITT. Well, it has increased a great deal. That is very close to all of them who are aiding private institutions, sometimes tuition differentials and that type of thing.

However, in the States in which the conflict between public and private has been most severe, the privates insisted that public tuition should go up in order to close the gap between public and private.

The kinds of arrangements that seem to be working out are that the public agrees not to oppose State aid to private institution and the privates agree not to try to push up the public tuition.

As a matter of fact, if public tuition were to be pushed up very much, which is an argument entertained by a lot of people for a long time, it would have to be pushed a great deal, as you indicated, in order to close any gaps, so that is really not much help to students in private schools.

It simply means that it is more difficult for students who want access to low-cost institutions to get it.

As I say, the question of whether the Federal Government ought to try to settle this is one I am not sure of. I believe it is is on the way to settlement and I believe it has to be settled.

We recognize that this is a dual system of public and private. I, myself, graduated from a small private college and I am not a big giver to anything but I give more money to that little college than any place else because that is where my loyalty lies.

I am down there about once or twice a year making speeches. I have in-laws about 50 miles away who hate to see me come because every time I come, they have to listen to me speak.

What I am saying is that my commitment to private institutions is very strong and I want to see them maintained.

If the Federal Government could find some way to help private institutions without at the same time taking that money away from the generality of higher education, that is, taking public money, money which normally goes to public schools under these programs, then I think we can find some support for that.

I would like very much to know what the arrangements would be. I would like to take them up with our people and see what it would mean.

Mr. ESHLEMAN. I do not dispute your 47 States out of 50, but would not those same 47 States be contributing heavier to public education in their State?

Would not that be a true generalization?

Mr. HUITT. I would expect that is so. After all, public institutions are their institutions.

Mr. Eshleman. Maybe you could give me a figure. I am not attempting to put you on the spot, but what is the average tax contribution to a public institution?

Do you have such figures?

Mr. Huitt. I can submit those, Mr. Eshleman.

Mr. Eshleman. I wish you would. I am fairly familiar with Penn State and my own State.

Mr. Huitt. As a matter of fact, we can send you a statement that shows you what every one of our institutions charges for tuition, fees and for cost of maintenance.

Mr. Eshleman. I would need that to subtract. However, what I am interested in is total tax contributions already going to each student, in effiect.

You have the tuition cost and then the total cost per student. I do not think I am oversimplifying when I say the diffierence in those two costs is being picked up by the taxpayer, either State and local, maybe, and national.

That is the figure I would like. Can you supply me with that?

Mr. Huitt. I think we can get that; yes, sir. Of course the student is supplying some of it through tuition.

Mr. Eshleman. Yes, I said I would subtract the tuition from the total educational cost to the student. The institutions should have those figures in their own costs.

Mr. Huitt. Yes.

[The information requested was submitted as follows:]

NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES,
Washington, D.C., May 27, 1975.

EDWIN D. ESHLEMAN, M.C.,
Subcommittee on Postsecondary Education,
House Committee on Education and Labor,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN ESHLEMAN: Recently, when it was my privilege to represent the membership of our Association before the House Subcommittee on Postsecondary Education, you raised some questions and requested data concerning the amount of tax dollars flowing to public institutions. My staff has been working on available materials and I am enclosing information which I hope will be of some help. Partly because of the manner in which such data are maintained, some of the figures may be somewhat crude; however, I believe they address the issues with which you are concerned.

The latest figures which we have and feel confident about are based on a survey of 78 state and land-grant universities in 1971. In that year state appropriations accounted for 50.4% of total operating revenue. Federal appropriations in the same year provided 13.7% of total revenue. (Our Association is conducting a new financial survey of all 130 NASULGC institutions. We expect to have the data in hand shortly. When it is available, we will be certain to send it to you immediately. From the few responses we have had so far, we believe that public contributions for our members will run very close to the 1971 figures and may show a slight increase in the case of state support.)

An analysis of operating revenue for 1971 reported by the 78 institutions responding to the Association's survey showed that of the total revenue of $6,540,292,680, the following amounts came from each of the possible sources:

State appropriations—$3,296,077,526 (50.4%)
Student fees—857,143,931 (13.1%))
Federal appropriations—894,394,315 (13.7%)
Private gifts—349,709,152 (5.3%)
Earnings—869,382,924 (13.3%)
Miscellaneous sources—273,684,832 (4.2%)

The latest USOE data on current fund revenue of institutions of higher education by source of revenue also is for 1971, but it may, nevertheless, be of some help to you.

I have attached a table which shows these figures broken down by Federal support of both public and private institutions, state support of public and private institutions and local government support of public and private institutions of higher education.

During my appearance before your Subcommittee you expressed specific interest in the actual tax contributions which filter to the student. As you are aware, this is one way of figuring cost of instruction. Revenues are allocated by institutions to various activities, some indirect, some direct. Certain institutions may allocate certain amounts to instruction, (faculy salaries, for example) and certain amounts to the costs of operating libraries.

The subject is complex, but we worked out what I think is the best workable system for figuring cost of instruction.

It involves listing expenditures according to the amount apportioned per full-time student, per student credit hour of instruction, per level of course and field of study. It also includes computation of expenditures for total costs itemized for supplies, services, equipment, faculty salaries, benefits, administrative costs, libraries, student services and plant operation.

For your use, I am attaching a breakdown of our institutions according to this formula for figuring cost of instruction. I think it provides about the best information available on what filters down to the student from revenues at our member institutions. Also, as I noted at the hearing, I am enclosing a copy of our recent tuition survey of our member institutions.

I think this chart will provide the information you are interested in regarding FTE instructional costs at our institutions. Although you asked for only ten institutions, large and small, I am providing the full table which I think may be more helpful.

Mr. Congressman, I hope the above is responsive to the questions you raised at the hearing. Please let us know if we can provide more information on the same subject or on any other area of interest to you.

I would like to take this opportunity to add some obeservations concerning the remarks you made at the opening session of hearings on H.R. 3471. You raised four questions which may go to the heart of the issues before your Subcommittee and ultimately the Congress in dealing with Federal student aid programs.

(1) Where should decisions be made regarding distribution of Federal funds for student aid; the Federal level? the state level? at institutions? Whole essay could be and have been written on this major question. Restricting ourselves solely to the area of student-aid programs, I would argue from experience for the important requirement that a good deal of decision-making remain on the istitutional level. The record of distribution of Federal dollars on campuses is an admirable one. Programs created to serve financially needy students have had their funds directed to such students.

Circumstances on the campus are not perfect by any means. We need to have more highly trained student financial aid advisors and for that reason we support the idea of a Federally-sponsored, institutional matching program for such professional development. Obviously, the largest issues and decisions have to be dealt with on a national level. Too often, we have found a gap between what appears to be the clear intent of the Congress and the regulations and guidelines issuing from the Office of Education. Like members of Congress, we have been disappointed, for example, at the inability of the Office of Education to spend all funds appropriated for BEOG programs. I believe that greater monitoring attention will be required from your Subcommittee to make certain that the will on the Congress is carried out by the executive agencies.

We are aware of the desire on thepart of many thoughtful officials to have Federal student aid funnelled into the states for decisions to be made there. Some of such activity might be in order, ie, should a large SSIG program be created the logical source of decision-making would be in the state. However, the record of programs of funding through institutions suggests it would be an error to abandon this process.

(2) Should we use Federal student aid regulations to promote low tuition? Obviously, our institutions believe that low tuition remains the most permanent, clear and effective means of attracting students of low income families to postsecondary education. We do not assert that the Federal Government

should pass laws or issue regulations to support the concept since it is basically a state determination. But we are concerned over suggestions that the Federal Government use its funds as a means of inducing the states to change their policies regarding low tuition to suit any new Federal policy.

(3) Since many private colleges are subsidizing students partially assisted with Federal funds, should Federal students aid assist these institutions? Emphatically yes. And, in fact, private institutions have received at times a disproportionate amount of Federal dollars when the basis for distribution was on absolute need. It is for this reason that we strongly argue for an automatic cost-of-program allowance which would at least relieve the private institutions, as well as the publics, of the necessity to dig into their own funds to operate the programs.

I hope the above has proven of value. Please let us know when we can provide additional information.

Sincerely,

RALPH K. HUITT, *Executive Director.*

TABLE 121.—CURRENT-FUND REVENUE OF INSTITUTIONS OF HIGHER EDUCATION, BY CONTROL OF INSTITUTION AND BY SOURCE OF REVENUE: UNITED STATES, 1970–71

[Amounts in thousands of dollars]

Source	Current-fund revenue, by control of institution					
	Public and private		Public		Private	
	Amount	Percent	Amount	Percent	Amount	Percent
1	2	3	4	5	6	7
Total current-fund revenue	$23,879,188	100.0	$15,526,385	100.0	$8,352,803	100.0
Educational and general revenue	18,392,047	77.0	12,341,138	79.5	6,050,911	72.4
Tuition and fees from students	5,021,211	21.0	2,032,329	13.1	2,988,882	35.8
Federal Government	2,824,626	11.8	1,815,495	11.7	1,009,131	12.1
Unrestricted appropriations	565,785	2.4	464,297	3.0	101,488	1.2
For sponsored research	1,471,989	6.2	806,682	5.2	665,307	8.0
For other sponsored programs	786,852	3.3	544,516	3.5	242,236	2.9
State governments	6,502,813	27.2	6,386,300	41.1	116,013	1.4
Unrestricted appropriations	6,310,536	26.4	6,213,096	40.0	97,440	1.2
For sponsored research	91,190	4	80,649	.5	10,541	.1
For other sponsored programs	101,087	.4	93,055	.6	8,032	.1
Local governments	907,274	3.8	845,634	5.4	61,641	.8
Unrestricted appropriations	827,507	5.3	825,591	5.3	1,917	(1)
For sponsored research	26,903	.1	4,232	(1)	22,671	.3
For other sponsored programs	52,864	.2	15,811	.1	37,053	.5
Endowment earnings	470,655	2.0	55,494	.4	415,161	5.0
Private gifts and grants	1,091,655	4.6	295,356	1.9	796,299	9.5
Unrestricted gifts	678,028	2.8	67,319	.4	610,709	7.3
Philanthropic, research	84,550	.4	30,703	.2	53,847	.6
Other grants, research	186,038	.8	115,093	.7	70,945	.9
Philanthropic, other programs	43,925	.2	14,963	.1	28,962	.3
Other graints, other programs	99,114	.4	67,278	.4	31,836	.4
Recovery of indirect costs	383,860	1.6	197,485	1.3	186,375	2.2
For sponsored research	306,604	1.3	149,629	1.0	156,975	1.9
For other sponsored programs	77,255	.3	47,855	.3	29,400	.3
Other educational and general revenue	1,189,954	5.0	712,542	4.6	477,411	5.7
Auxiliary enterprise revenue	3,125,238	13.1	1,890,128	12.2	1,235,110	14.8
Student-aid grants	709,101	3.0	391,179	2.5	317,921	3.8
Federal Government	373,374	1.6	236,154	1.5	137,220	1.6
State governments	91,966	.4	65,482	.4	26,484	.3
Local governments	2,854	(1)	2,480	(1)	374	(1)
Private gifts and grants	134,954	.6	63,157	.4	71,798	.9
Endowment earnings	72,250	.3	13,975	.1	53,275	.7
Other student-aid grants	33,703	.1	9,932	.1	23,771	.3
Major service programs	1,652,802	6.9	904,441	5.8	748,361	9.0
Federal funds for hospitals	36,850	.2	300	(1)	36,550	.4
Other hospital revenue	784,628	3.3	520,002	3.3	264,625	3.2
Other major service program revenue[2]	831,324	3.5	384,139	2.5	447,185	5.4

[1] Less than 0.05 percent.

[2] Revenue for federally funded research and development centers were reported in this item.

Note.—Because of rounding, detail may not add to totals.

Source: U.S. Department of Health, Education, and Welfare, Office of Education, "Financial Statistics of Institutions of Higher Education, 1970–71".

DEFINITION OF TERMS

Method of figuring a cost of instruction

(1) Full-time Equivalent Student.
(2) Per student credit hour of instruction.
(3) Per level of course.

Level of student

(1) Lower division—freshman-sophomore.
(2) Upper division—junior-senior.
(3) Graduate I—professional and master's level.
(4) Graduate II—graduates beyond the master's level.
(5) Average—all students at institution.

Field of study

(1) Breakdown by field of study.
(2) Figure for all fields.

Expenditures

(1) Total costs—direct & indirect expenditures included—not itemized, supplies and services, equipment.

(2) Direct cost—faculty salaries & benefits: dept. level adm. costs.

(3) Indirect costs—additional expenditures included in computing cost of instruction.

(a) Administration & overhead; including university-wide expenditures.

(b) Libraries.

(c) Student Services.

(d) Plant operation—prorated among teaching, research and public service functions.

Costs per FTE student

Institution	1970-71					1971-72					1972-73					1973-74						1974-75		
	All	Lower Div.	Upper Div.	Grad I	Grad II	All	Lower Div	Upper Div	Grad I	Grad II	All	Lower Divis.	Upper Divis	Grad I	Grad II	All	Lower Divis	Upper Divis	Grad I	Grad II		Undergrad	Grad	Total
U of Arizona						1,459					1,645													
Univ of Calif											2,770	1,895	2,037	5,034	5,808	2,806	1,915	2,094	5,108	6,018				
Colo State Univ.																1,072								
Univ. of Conn																1,973	1,659		3,149					
Fed City Coll.	2,441					2,620					2415													
Kansas State	1,463	960	1,172	4,349	5,281	1,365	912	1,074	3,657	5,192	1433	956	1,131	3,884	6,149									
U Maryland College Park											1,881					1,959								
U Maryland Eastern Shore											3713					3,638								
Univ of Nevada (1)	1,034					1,049					1,208					1,214								
Rutgers Univ						1,374					1,410					1,517								
U of N. Dakota																								
Penn State						1,973	1,761		3,430		2,102	1,895		3,951		2,106	1,926		3,770			2034	4068	[illegible]
Univ of Utah							846	1,557	2,906															
U of Wisc-Madison																	1,581	2,228	3,476	3,630				
U of Wisc-Milwaukee																	1,589	2,222	3,895	3,841				

(1) Estimate
Instruction and Dept Research only

Costs Per FTE Student -p. 2

	1970-71					1971-72					1973-74				
Institution	All	Lower Divi	Upper Divi	Grad I	Grad II	All	Lower Divi.	Upper Divi	Grad I	Grad II	All	Lower Divi	Upper Divi	Grad I	Grad II
Univ. of Wash.	2100	1426	2,180	3,381	4590										
Wash. State U.	1,878	1,396	2244	4145											
Kent State												1819		4017	4094
Miami Univ												1542		4,634	4490
Ohio State												1813		4,395	1,594

[illegible] Credit Hour

	1970-71					1971-72					1972-73				
Institution	All	Lower Div	Upper Div	Grad I	Grad II	All	Lower Div	Upper Div	Grad I	Grad II	All	Lower Div	Upper Div	Grad	Grad II
Univ. of Arizona						53.86					57.35				
Southern Illinois	68.11	42.00	62.80	197.10	297.08	57.44	40.73	51.44	136.11	[illegible]	62.22	49.57	60.66	170.38	[illegible]
Univ of Illinois Urbana	72.44	39.69	69.28	106.27	156.00	72.95	40.03	64.15	109.19	156.69	72.34	39.71	63.82	107.10	162.72
Univ of Illinois Chicago Circle	NA	37.46	66.52	222.18	347.20	NA	51.15	61.78	199.36	[illegible]	62.42	40.46	65.60	198.29	[illegible]
Miami Univ	20.99					20.95									
Univ of Houston	* 15.00														
Univ of Virginia		** 15.53	21.87	Prof 38.29	Graduate 37.34										
OPI		** 17.18	29.33		68.03										
Virginia State		** 21.61	29.53		38.34										
West Va. Univ.						** 20.61	12.24	15.74	57.85	84.30					

*General Support and Instruction Only

**Instructional Salary Cost only

page two

Institution	Per FTE	Per Credit Hour	Per Level of Instruc.	Lower Div.	Upper Div.	Grad I	Grad II	Average	By Field	Total Fields	Total Cost	Direct Costs	Indirect Costs			Student Services	Plant Oper.				Years Available			
													total	Adm	Lib						70-71	71-72	72-73	73-74
Miami Univ.		✓						✓	✓		✓	✓	✓		✓						✓	✓		
Penn State	✓			Average		Average				✓	✓	✓	✓	✓	✓	✓	✓					✓	✓	✓
Univ. of Florida		✓						✓	✓			✓									✓			
Univ. of Utah	✓			✓	✓	Average				✓												✓		
Univ. of Ill.	✓			✓	✓	✓	✓				✓													✓
Virginia		✓		✓	✓	✓	professional level		✓			✓									✓			
Washington	✓			✓	✓	Average		✓	✓	✓		✓	✓	✓	✓	✓	✓				✓			
West Virginia		✓		✓	✓	✓	✓	✓	✓	✓		✓											✓	
Ohio	✓			Average		✓	✓			✓	✓	✓		✓	✓	✓	✓							✓
Instructional departmental Research																								

Institution	Cost of Instruction			Level of Student								Direct Costs										Years Available		
	Per FTE	Per Credit Hour	Per Level of Inst	Lower Div	Upper Div	Grad I	Grad II	Average	By Field	Total Fields	Total Exp	Cost	Total	Adm	Lib	Student Services	Plant Oper					70-71	71-72	72-73
Univ of Arizona		✓						✓	✓			✓	✓										✓	✓
Univ of Arizona	✓							✓		✓		✓	✓										✓	✓
U of California	✓			✓	✓	✓	✓			✓	✓													✓ 73-74
U of California			✓							✓	✓													✓ 73-74
Colo State	✓							✓		✓		✓												73-74
U of Conn.	✓			Average		Average		✓		✓	✓													73-74
Federal City	✓							✓		✓												✓	✓	✓
Southern Ill. U		✓		✓	✓	✓	✓	✓		✓		✓		✓	✓		✓					✓	✓	✓
Univ of Illinois		✓		✓	✓	✓	✓	✓	✓	✓		✓	✓									✓	✓	✓
Kansas State	✓			✓	✓	✓	✓	✓		✓		✓		✓	✓	✓	✓					✓	✓	✓
Univ of Md.	✓							✓		✓	✓	✓		✓	✓		✓							✓
U of Nevada Univ of Nevada	 ✓	✓ 		✓ 	✓ 	Average 		 ✓	✓ ✓	 ✓		✓x ✓										✓ ✓	 ✓	73-74 ✓
x Rutgers Univ.	✓							✓		✓		x ✓											✓	73-74 ✓
Univ of N. Dakota		✓		✓	✓	Average			✓		✓	✓												
Univ of N. Dak	✓			✓	✓	✓	✓		✓		✓	✓												

1974–75 Student Charges at State and Land-Grant Universities From National Association of State Universities and Land-Grant Colleges

TUITION INCREASES WILL BE SMALL AT STATE, LAND-GRANT UNIVERSITIES

State and land-grant universities seem to have won round one in their battle to keep tuition charges as low as possible. The median charge for tuition and required fees for a state resident attending one of these institutions during the 1974–75 academic year will be $531, compared with a 1973–74 median of $517.50, representing an increase of only 2.6 percent.

Larger increases in room and board rates, however, will boost median total charges up almost eight percent, according to information from participants in the annual survey of student charges conducted by the Office of Research and Information of the National Association of State Universities and Land-Grant Colleges (NASULGC). Median total charges paid by resident students will increase $119 from $1,547.50 in 1973–74 to $1,666.50 for 1974–75, a rise of 7.7 percent.

NASULGC members, which together enroll approximately 31 percent of all students attending higher education institutions, were asked to provide information on their basic charges for tuition, required fees, room and board. Responses were received from 121 of the 130 member institutions. In calculating medians for total charges, responses from only those institutions which provided on-campus room and board were included.

MEDIAN STUDENT CHARGES AT STATE AND LAND-GRANT INSTITUTIONS

	Tuition and required fees N=144		Room, N=66	Board, N=55	Total room & board [1], N=55	Combined room & board [2], N=37	Total charges, N=94	
	Resident	Non-resident					Resident	Non-resident
1974–75	$531	$1,378	$469	$648	$1,123	$1,218	$1,666	$2,654
1973–74	517	1,345	447	593	1,050	1,120	1,547	2,480
Dollar increase	13	33	22	55	73	98	119	174
Percent increase	2.60	2.47	4.92	9.27	6.51	8.75	7.68	7.03

[1] These are the median total charges for room and board at all institutions which charge separately for these services.

[2] These are the median charges for both room and board at those institutions which do not have separate rates for room and board.

Note.—Figures shown are the median rates (to nearest dollar) for typical full-time undergraduate students for a full academic year consisting of 2 semesters, 2 trimesters or 3 quarters.

The median charge for tuition and required fees for non-resident students (students who come to the university from out of state) will increase 2.5 percent, moving from $1,345 to $1,378.25. Median total charges for out-of-state residents will go up seven percent, moving from $2840 to $2,654.50, an increase of $174.50.

Board rates mirrored the effect of rising food prices, increasing 9.27 percent—more than any other category of student charges. Board rates at the 55 institutions which charge separately for board and offer full-time service (19 to 21 meals per week) increased from a median of $593 in 1973-74 to $648 in 1974-75.

The median for room rates went up from $447 in 1973-74 to $469 in 1974-75, an increase of 4.9 percent, according to information provided by 66 institutions which have separate charges for on-campus housing. Respondents were asked to provide an average rate if there was a range in room charges.

The median charge for the total amount of room and board at the 55 institutions which have separate charges for each increased from $1,050 in 1973-74 to $1,123 in 1974-75, a rise of 6.5 percent. The median room and board rate for 37 additional institutions which have a combined charge for room and board will be $1,218 in 1974-75, going up 8.7 percent from $1,120 in 1973-74.

INFLATION IS PRIMARY REASON FOR STUDENT FEE INCREASES

As might be expected, inflation was the primary reason cited for increases in student charges. Seventy-nine institutions reported that rapidly escalating prices had necessitated increases. The need for more funds to maintain the current level of program quality was the second most frequently mentioned reason, cited by 47 institutions. The lack of any other source of additional revenue was a factor in rising charges. according to 36 respondents. Two other reasons given by a number of respondents was the need for funds to finance facutly and staff salary increases, mentioned by 23 respondents and an inadequate appropriation from the state legislature, listed by 19 respondents.

Four institutions noted that directives from either the state legislature or from a state coordinating body had forced increases in tuition. Two institutions reported that they had increased student fees to help pay for new student health care facilities, and two institutions noted that room and board charges had been raised to make those services self-supporting.

MAJORITY OF INSTITUTIONS WILL INCREASE CHARGES

Almost every survey participant had increased at least one category of student charges for 1974-75. Only 10 respondents reported no changes in any category. These institutions included three of the historically black institutions, which have traditionally been among the member institutions with the lowest charges, two urban campuses of state universities and *City University of New York*, which is tuition free, charges a minimum required fees and does not offer on-campus room and board. The complete list of institutions with no increases in student charges includes:

University of Illinois, Chicago Circle
University of Massachusetts, Boston
Lincoln University
City University of New York
State University of New York
North Carolina A & T State University
University of Puerto Rico
Prairie View A & M University
West Virginia University
University of Wyoming.

The two categories of student charges for which increases were reported by the largest number of institutions were non-resident tuition and board. Fifty-two institutions reported increases in each category. Forty-six institutions increased room rates and forty institutions increased resident tuition. Required fees for residents were raised by 32 institutions while 34 institutions increased their required fees for non-residents. Almost all of the institutions with combined charges for room and board, or 35 out of 37, reported increases.

Although the amount of the increase in the median tuition rate was less in 1974-75 than in 1973-74, a larger number of institutions increased both resident and non-resident tuition. There were 30 institutions reporting increases in resident tuition last year and 39 institutions reporting increases in non-resident tuition. However, the average amount of the increase for 1974-75 was smaller than the increases put into effect in 1973-74, especially for resident students. According to responses to the NASULGC report on student charges for 1973-74, resident tuition increased 7.2 percent, shooting up from a median of $485 to a median of $520. Non-resident tuition increased less radically, moving from a median of $1,299 to $1,336 for a 2.8 percent increase.

Among the institutions increasing charges in 1974-75, only 16 increased just one charge. The largest number of institutions (34) increased three charges. Twenty-one institutions increased two charges and 20 institutions increased four charges. Only nine institutions increased five charges and one institution increased six charges, which means an increase in every category. The categories included resident and non-resident tuition and required fees, room and board.

STUDY RECOMMENDATIONS HAVE LITTLE EFFECT ON TUITION

The minimal increase in median tuition for state and land-grant universities in 1974-75 is especially interesting in light of the fact that two prestigious groups have come out with studies within the past year which have proposed large increases in the amount of tuition which should be paid by students attending public colleges and universities.

In a report entitled *Higher Education: Who Pays? Who Benefits? Who Should Pay?*, published in mid-1973, the Carnegie Commission on Higher Education recommended that public institutions raise tuition annually at a higher rate than private institutions so as to decrease the cost gap between the two. Proposals also called for a "reevaluation of tuition policy to gear it more to the actual costs of education by level of training". In keeping with this suggestion tuition would be kept low for the first two years of undergraduate work, then boosted for upper-division undergraduates and again for graduate students.

In September, 1973, the Committee for Economic Development, a panel of distinguished business leaders, called for large increases in undergraduate tuition and fees to bring them up to an amount where they approximate 50 percent of instructional costs as a means of increasing revenue.

Both proposals were vehemently denounced by spokesmen for public higher education as actions which would mean the end of public higher education and rob most lower middle class students of a college education. Congressman James G. O'Hara, chairman of the House of Representatives subcommittee that drafts higher education legislation, noted, "It is time to blow the whistle on the growing tendency for the rich to make grandiose plans to aid the poor with the money of the middle class."

The AFL-CIO, speaking out for organized labor, said that the proposals, if implemented, "would shatter the hopes of workers to insure that their children have the advantages of higher education." In an article entitled "Misdirecting Career Education" in *The American Federationist*, John Sessions, AFL-CIO assistant director in the Department of Education, stated that: "Organized labor firmly believes that the problem in higher education is not that too many students are in college who don't belong there, but rather that too many young people who belong in college aren't there because they can't afford it."

The Senate, the governing body of the National Association of State Universities and Land-Grant Colleges, unanimously adopted a statement at the association's convention in November, 1973, which pledged to push for the continuation of low tuition as the Association's most important undertaking in the months ahead.

The statement, also endorsed by the American Association of State Colleges and Universities (AASCU), emphasized that the low tuition principles has historically provided an open door for all at public colleges and universities.

"These associations and the institutions they serve, which among them teach more than half of the students in American colleges and universities, will not waver in their defense of a principle that has enabled them to maintain quality and diversity while extending opportunity to an ever-increasing number of young Americans."

At least for the first year since these sweeping proposals for large tuition increases, state legislatures and other governing bodies with authority to increase these tuitions have apparently not been greatly swayed by the arguments of proponents of such increases. However, further tests will surely come during the next year if inflation continues at its rampant pace and groaning state treasuries facing demands for more funds on every hand, must look for additional sources of revenue.

NASULGC INSTITUTIONS HAVE WIDE RANGE OF STUDENT CHARGES

Although there was a wide difference between the NASULGC institutions reporting the highest and lowest figures for resident tuition and required fees, charges for the majority of institutions clustered around the $531 median. Sixty-eight of the 114 survey respondents providing information on resident tuition and fees had charges within the $400-$699 range. There were only four institutions with tuition charges above $1,000 and only eight institutions with tuition charges less than $299.

Sixteen institutions charged tuition and fees in the $300-$399 range and 11 institutions reported charges in the $700-$799 range. An additional seven institutions had charges in the $800-$999 category.

The lowest reported was $70, the amount of required fees paid by students attending the *City University of New York* and the highest charge was $1,500, the amount paid by students attending the statutory colleges of *Cornell University*.

Charges for tuition and required fees for out-of-state students varied much more widely than was the case with resident tuition. The largest single cluster of institutions (19) had charges in the $1200 to $1299 range, slightly below the median of $1378. Eighteen institutions reported charges in the $1300 to $1499 range. There were 15 institutions with out-of-state charges for tuition and fees of more than $2000 and 13 institutions had charges of less than $1000. Fourteen institutions had charges ranging from $1000 to $1199 while 21 institutions reported tuition and fees in the range of $1500 to $1699. An additional 14 institutions charged amounts ranging from $1700 to $1999.

The highest charge for non-resident tuition was $2800, the amount charged by the *University of Michigan* for non-resident juniors and seniors. The lowest non-resident tuition was $165.44 at the *University of Puerto Rico*. That institution actually charges the same amount in tuition and required fees for both resident and non-resident students.

The lowest total charges for state residents for 1974-75 were reported by Tennessee State University with charges of $1152. Ten additional instructions had charges in the $1100 to $1399 range. Over half of the 95 survey respondents (53) had total charges in the range of $1400 to $1799. An additional 11 institutions reported total costs ranging from $1800 to $1999.

At the top, one institution, *Cornell University* had total charges of $3105 for students attending its statutory colleges. The next highest charges were reported by *Temple University*, with total costs of $2555.05. There were 18 additional institutions with charges above $2000.

Total charges for non-residents ranged from $1430 at *Lincoln University* to $4202for upperclassmen at the *University of Michigan*. Alabama A & M University was the only other institution reporting total charges for non-residents of less than $1750. There were a few institutions in each $100 category from there up to $3199. Twelve institutions had total charges above that amount.

REGIONAL ANALYSIS OF MEDIAN CHARGES

Regional patterns for median charges were approximately the same as in previous years. Tuition and required fees and total charges for state residents were the highest in the New England states and in the Middle-Atlantic region. The West had the lowest median charges for tuition while the Southeast reported the lowest total charges. Median tuition charges were slightly higher in the Southeast than the West and median total charges for the West were slightly larger than total charges for the Southeast. Median charges for the Midwest placed them in the middle in each category.

Non-resident charges for both tuition and required fees and total charges were the highest in New England and the Middle-Atlantic states, followed in rank order by the Midwest, the West and the Southeast.

(The following chart shows regional medians for total charges and tuition and fees both resident and non-resident, for the 1974–75 academic year.)

For regional comparison, the states were divided as follows:

New England—Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Middle Atlantic—Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania

Southeast—Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia, Puerto Rico, Virgin Islands

Midwest—Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

West—Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oklahoma, Oregon, Texas, Utah, Washington, Wyoming, Guam.

REGIONAL COMPARISON OF STUDENT CHARGES

	New England (6)[1]	Middle-Atlantic (14)	Southeast (32)	Midwest (25)	West (30)
Tuition and fees:					
Resident	$765	$714	$484	$613	$400
Nonresident	1,739	1,737	1,212	1,640	1,378
Total charges:					
Resident	2,238	2,100	1,553	1,765	1,566
Nonresident	3,390	3,106	2,331	2,684	2,580

[1] Denotes number of institutions in region.

MANY INSTITUTIONS CHARGE DIFFERENT FEES TO GRADUATES

At approximately half of the NASULGC institutions, charges for resident graduate tuition and required fees were exactly the same as undergraduate charges. However, among the 106 institutions providing information concerning graduate charges, there were 46 institutions which charged resident graduate students more than they charged undergraduates, and 16 institutions which charged less.

Among the institutions with lower fees for graduate students, ten institutions charged less in required fees for graduates than for undergraduates. The difference for the other six was attributable to the fact that charges were assessed on a per credit hour basis. At four of the institutions, graduate students were charged more per credit hour, but still paid less in total tuition because graduate students generally take fewer hours than undergraduate students. For another institution, charges per credit hour were the same for both graduate and undergraduate students but graduates paid less because they generally took fewer credit hours. The other institution charged undergraduates a flat rate but had a per credit hour charge for graduates which was less for students taking the normal load than the flat rate undergraduate charge.

For out-of-state residents, 32 institutions charged graduate students more than they charged undergraduates while 34 institutions charged less. Among the latter group, the difference was due to a per credit hour at 17 institutions. For the other 17 institutions, graduat tuiion and/or fees were simply lower than undergraduate.

LONG-TERM REVIEW OF TUITION, FEES

Median charges for resident tuition and fees have increased on an average of more than seven percent a year for the past nine years, based on a comparison of median tuition charges for 1965-66 and 1974-74. In 1965-66, the median tuition charge was $311—$220 less than the 1974-75 median of $531 for an increase of 70.7 percent over the period.

A look at the percentage increase in medians for each year shows that the biggest increase came in 1969-70 when tuition and fees increased 19.4 percent. For the past two years the median charge has increased less than 2.5 percent as compared with the previous year's reported median.

Median tuition and fee charges for out-of-state students have increased an average of more than nine percent each year since 1965-66. The median amount reported by state and land-grant universities for non-resident tuition has risen from $734 in 1965-66 to $1378.25 in 1974-75, a jump of $644.25 over the period. This is an increase of 87.8 percent.

The median reported for out-of-state tuition increased dramatically in both 1970-71 and 1971-72. There was a 14.5 percent rise the first year and a 13.9 percent jump thes econd year. For the past two years increases have been much smaller than previously with a 1.2 percent increase in 1973-74 and a 3.2 percent increase in 1974-75.

(The following chart shows medians for tuition and required fees, resident and non-resident, for the years 1965-66 through 1973-74 and the percentage and dollar amounts of increases for each year in both categories.)

LONG-TERM TREND IN CHARGES FOR TUITION AND FEES

Year	Resident			Nonresident		
	Amount	Increase	Percent increase	Amount	Increase	Percent increase
1965-66	$311.00			$734.00		
1966-67	333.00	$22.00	7.07	782.00	$48.00	6.54
1967-68	351.00	18.50	5.56	850.00	68.00	8.70
1968-69	360.00	8.50	2.42	905.00	55.00	6.47
1969-70	430.00	70.00	19.44	966.00	61.00	6.74
1970-71	452.00	22.50	5.23	1,106.00	140.00	14.49
1971-72	482.00	29.50	6.52	1,260.00	154.00	13.92
1972-73	517.00	35.50	7.37	1,319.50	59.00	4.72
1973-74	520.00	2.50	.48	1,336.00	16.50	1.25
1974-75	531.00	11.00	2.11	1,378.25	42.25	3.16
Total		220.00	70.73		644.25	87.78

TOTAL CHARGES FOR FIVE YEARS

Total charges have increased less dramatically than tuition and fees during the five-year period for which NASULGC has calculated total charges for its member institutions .

Charges have increased an average of more than five and a half percent a year for state residents during the period, going from $1297 in 1969–70 to $1666.50 in 1974–75. This is an increase of 28.5 percent. The annual increase was the largest in 1974–75, when the median increased 10.1 percent.

For out-of-state residents there has been an average increase of seven and a half percent annually. Median total charges increased from $1910 in 1969–70 to $2654.50 in 1974–75, a rise of $744.50, or 39 percent. The largest increases in the mdeian total charge came in 1971–72, when the median moved up 11 percent and in 1974–75, when there was an increase of 8.6 percent.

(The following chart shows medians for total charges, resident and non-resident, for the years 1969–70 through 1974–75 and the percentage and dollar amounts of increases for each year in both categories.)

LONG-TERM TREND IN TOTAL CHARGES

Year	Resident			Nonresident		
	Amount	Increase	Percent increase	Amount	Increase	Percent increase
1969–70	$1,297.00			$1,910.00		
1970–71	1,376.00	$79.00	6.09	2,019.00	$109.00	5.71
1971–72	1,411.00	35.00	2.54	2,241.00	222.00	10.99
1972–73	1,467.00	56.00	3.96	2,238.00	87.00	3.88
1973–74	1,514.00	47.00	3.20	2,443.00	115.00	4.93
1974–75	1,666.50	152.50	10.07	2,654.50	211.50	8.65
Total		369.50	28.48		744.50	38.97

INSTITUTIONS WITH HIGHEST AND LOWEST CHARGES FOR TUITION AND REQUIRED FEES, 1974–75

Resident tuition and fees

Institution	Amount
Highest:	
Cornell University	$1,500.00
University of Vermont	1,088.00
Temple University	1,050.00
University of Pittsburgh	1,024.00
University of New Hampshire	981.70
Pennsylvania State University	960.00
University of Michigan	[1] 904.00
State University of New York	[2] 900.00
Wayne State University	[3] 844.00
Miami University	840.00
Lowest:	
City University of New York	70.00
Federal City College	135.00
University of Puerto Rico	165.44
University of Guam	200.00
Texas A. & M. University	279.60
Texas Tech. University	284.00
Prairie View A. & M. University	285.00
University of Houston	294.00
West Virginia University	310.00
College of the Virgin Islands	314.00

---

[1] The amount paid by juniors and seniors. University of Michigan freshmen and sophomores pay $800.

[2] The amount paid by juniors and seniors. State University of New York freshmen and sophomores pay $750.

[3] The amount paid by juniors and seniors. Wayne State University freshmen and sophomores pay $777.

Nonresident tuition and fees

Highest:	
University of Michigan	[1] $2, 800. 00
University of Vermont	2, 788. 00
University of New Hampshire	2, 281. 70
Wayne State University	[2] 2, 274. 00
University of Wisconsin, Milwaukee	[3] 2, 204. 00
University of Wisconsin, Madison	[3] 2, 204. 00
Pennsylvania State University	2, 160. 00
University of California	2, 144. 00
Cornell University	2, 100. 00
North Carolina A. & T. State University	2, 073. 50
University of Colorado, Boulder	2, 070. 00
Lowest:	
University of Puerto Rico	165. 44
University of Guam	350. 00
Alabama A. & M. University	580. 00
Lincoln University	630. 00
Southern University	768. 00
College of the Virgin Islands	814. 00
University of Maryland, Eastern Shore	895. 00
Delaware State College	927. 18
Federal City College	930. 00
University of Arkansas	930. 00

[1] The amount paid by juniors and seniors. University of Michigan freshmen and sophomores pay $2,600.

[2] The amount paid by juniors and seniors. Wayne State University freshmen and sophomores pay $2,079.

[3] The amount paid by juniors and seniors. University of Wisconsin, Milwaukee and University of Wisconsin, Madison freshmen and sophomores pay $1,998.

INSTITUTIONS WITH HIGHEST AND LOWEST TOTAL CHARGES, 1974–75

Resident total charges

Highest:	
Cornell University	$3,105. 00
Temple University	2,555. 05
University of Pittsburgh	2,424. 00
University of New Hampshire	2,339. 70
University of Michigan	[1] 2,306. 00
University of Vermont	2,251. 00
Miami University (Ohio)	2,235. 00
University of Rhode Island	2,226. 75
State University of New York	[2] 2,200. 00
Pennsylvania State University	2,199. 00
Lowest:	
Tennessee State University	1,152. 00
Lincoln University	1,160. 00
Delaware State College	1,227. 18
Fort Valley State College	1,236. 00
Kentucky State University	1,237. 00
Southern University	1,302. 00
North Carolina A. & T. State University	1,319. 00
Alabama A. & M. University	1,330. 00
Texas Tech. University	1,340. 00
College of the Virgin Islands	1,362. 00

[1] The amount paid by juniors and seniors. University of Michigan freshmen and sophomores pay $2,202.

[2] The amount paid by juniors and seniors. State University of New York freshmen and sophomores pay $2,060.

NONRESIDENT TOTAL CHARGES

Highest:	
University of Michigan	[1] $4, 202. 00
University of Vermont	3, 951. 00
Cornell University	3, 705. 00
University of New Hampshire	3, 639. 70
University of Wisconsin, Milwaukee	[2] 3, 499. 00
Temple University	3, 455. 05
Miami University (Ohio)	3, 435. 00
University of California	3, 420. 00
University of Pittsburgh	3, 414. 00
Pennsylvania State University	3, 399. 00
Lowest:	
Lincoln University	1, 430. 00
Alabama A. & M. University	1, 580. 00
Southern University	1, 752. 00
Fort Valley State College	1, 776. 00
Kentucky State University	1, 787. 00
Delaware State College	1, 802. 18
College of the Virgin Islands	1, 862. 00
University of Maryland, Eastern Shore	1, 955. 00
Virginia State College	1, 962. 00
University of Arkansas	1, 990. 00

[1] The amount paid by juniors and seniors. University of Michigan freshmen and sophomores pay $4,002.

[2] The amount paid by juniors and seniors. University of Wisconsin, Milwaukee freshmen and sophomores pay $3,301.

1974-75 STUDENT CHARGES, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

(Figures shown are rates for typical full-time undergraduate students for a full academic year of 2 semesters, 2 trimesters or 3 quarters. Where this year's figures represent a change over last year's, last year's rate is shown in parentheses)°

Institution	Undergraduate tuition and/or required fees		Room rate	Board rate (7 day unless noted)
	Resident	Nonresident		
Alabama:				
Alabama A. & M. University	330	580	[1] 1, 000 (948)	
Auburn University	549 (525)	1, 074 (1, 050)	420 (400)	645 (575)
University of Alabama	595 (510)	1, 190 (1, 020)	360	763 (754)
Alaska: University of Alaska, Fairbanks	472	1, 072	600 (565)	650
Arizona:				
Arizona State University	370 (320)	1, 260 (1, 210)	512 (462)	410 [2] (385)
University of Arizona	411	1, 401 (1, 301)	460 (435)	803 (674)
Arkansas: University of Arkansas, Fayetteville	400	930	1, 060 [1] [3] (950)	
California: University of California	644	2, 144	1, 376 [1] (1, 325)	
Colorado:				
Colorado State University	609 (603)	1, 912 (1, 895)	1, 230 [1] (1, 140)	
University of Colorado, Boulder	638 (593)	2, 070 (1, 959)	[4] 597	[4] 700
Connecticut: University of Connecticut	715	1, 715	595 (535)	[3] 610
Delaware:				
Delaware State College	352 (355)	927 (930)	[5] 875 (400)	[6] (410)
University of Delaware	720 (785)	1, 780 (1, 560)	608 (592)	688 (610)
District of Columbia: Federal City College	135 (117)	930 (732)	NA	NA
Florida:				
Florida A. & M. University	585 [6] (570)	1, 665 [6] (1, 620)	390 [7] (360)	822 [7] (600)
Florida State University	615 (570)	1, 695 (1, 620)	542	600
University of Florida	585 [6] (570)	1, 665 [6] (1, 620)	600 (540)	850 (790)
Georgia:				
Fort Valley State University	441 (411)	981 (951)	330	465
Georgia Institute of Technology	549 (534)	1, 434 (1, 419)	396	795 (765)
University of Georgia	543 (538)	1, 263 (1, 258)	540 (390)	669 (660)
Guam: University of Guam	200	350	617 (620)	N/A
Hawaii: University of Hawaii, Manoa	350 (198)	1, 316 (708)	506	[3] 402
Idaho: University of Idaho	380	1, 380	340 (320)	720 (660)
Illinois:				
Southern Illinois University, Carbondale	428 [6] (429)	1, 284 [6] (1, 227)	1, 122 [1] (1, 080)	
University of Illinois, Chicago Circle	636	1, 626	N/A	N/A
University of Illinois, Urbana-Champaign	690 (686)	1, 680 (1, 676)	1, 202 [1] (1, 145	
Indiana:				
Indiana University, Bloomington	722 [6] (682)	1, 640 [6] (1, 560)	497	600
Purdue University, West Lafayette	750 (700)	1, 700 (1, 600)	1, 208 [1] (1, 128)	
Iowa:				
Iowa State University	600	1, 434 (1, 332)	390 (336)	600 (534)
University of Iowa	620	1, 450 (1, 350)	1, 218 [1] (1, 114)	

See footnotes at end of table.

1974–75 STUDENT CHARGES, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES—Continued

(Figures shown are rates for typical full-time undergraduate students for a full academic year of 2 semesters, 2 trimesters or 3 quarters. Where this year's figures represent a change over last year's, last year's rate is shown in parentheses)*

Institution	Undergraduate tuition and/or required fees		Room rate	Board rate (7 day unless noted)
	Resident	Nonresident		
Kansas:				
Kansas State University	532 (526)	1,322 (1,316)	¹ 936	
University of Kansas	573 (544)	1,363 (1,334)	1,050 ¹ ³ (975)	
Kentucky:				
Kentucky State University	440	990	283 ⁷ (280)	504
University of Kentucky	480	1,210	1,256 ¹ (1,184)	
Louisiana State:				
Louisiana State University, Baton Rouge	320	1,050 (950)	400 (354)	508 ² (410)
Southern University, Baton Rouge	318 (284)	768 (734)	398 (332)	586 (489)
Maine:				
University of Maine, Orono	587 (562)	1,762 (1,662)	1,380 ¹ (1,150)	
University of Maine, Augusta	462 (412)	1,512 (1,412)	N/A	N/A
University of Maine, Farmington	485 (435)	1,535 (1,435)	1,270 ¹ (1,120)	
University of Maine, Fort Kent	480 (430)	1,530 (1,430)	1,270 ¹ (1,120)	
University of Maine, Machias	485 (435)	1,535 (1,435)	1,270 ¹ (1,120)	
University of Maine, Portland-Gorham	516 (466)	1,516 (1,416)	1,270 ¹ (1,120)	
University of Maine, Presque Isle	480 (425)	1,530 (1,425)	1,270 ¹ (1,120)	
Maryland:				
University of Maryland, College Park	708 (698)	1,858 (1,698)	545 ⁹ (470)	645 ⁹ (570)
University of Maryland, Eastern Shore	345	895 (695)	460 (440)	600 (580)
University of Maryland, Baltimore County	698	1,848 (1,698)	555 (480)	695 ¹⁰ (650)
Massachusetts:				
University of Massachusetts, Amherst	549 (519)	1,349 (1,319)	⁷ 657	680 (643)
University of Massachusetts, Boston	358	1,158	NA	NA
Michigan:				
Michigan State University	⁶ 720	1,665 ⁶ (1,620)	1,245 ³ (1,215)	
University of Michigan, Ann Arbor:				
Freshman-sophomore	800	2,600	³ 1,402 (1,298)	
Junior-senior	904	2,800	³ 1,402 (1,298)	
Wayne State University:				
Freshman-sophomore	777 (703)	2,079 (1,893)	NA	NA
Junior-senior	844 (703)	2,274 (1,893)	NA	NA
Minnesota: University of Minnesota, Twin Cities	714 (683)	1,677 (1,620)	1,350 ¹ (1,300)	
Mississippi:				
Mississippi State University	511 (507)	1,111 (1,107)	360 (330)	570
University of Mississippi	530 (516)	1,130 (1,116)	315	530 ⁶ (756)
Missouri:				
Lincoln University	360	630	¹ 400	
University of Missouri	580 (540)	1,660 (1,540)	400 (360)	660 (580)
Montana:				
Montana State University	509 (475)	1,481 (1,375)	373	704 (643)
University of Montana	529 (487)	1,501 (1,387)	1,250 ¹ (1,088)	
Nebraska: University of Nebraska	555 ⁷ (535)	1,281 ⁷ (1,261)	1,085 ¹ (1,020)	
Nevada: University of Nevada, Las Vegas	532	1,732	1,270 ¹ (1,150)	
University of Nevada, Reno	524 (519)	1,724 (1,719)	597 (567)	638 ¹¹ (486)
New Hampshire: University of New Hampshire	981 (983)	2,281 (2,233)	648 (550)	710 ¹⁰ (620)
New Jersey: Rutgers University	725	;310	681 (612)	716 (660)
New Mexico:				
New Mexico State University	474 (466)	1,304 (1,296)	570 (540)	480 (460)
University of New Mexico, Albuquerque	456	1,285	720 (714)	439 ³ (360)
New York:				
City University of New York	70	1,270	NA	NA
Cornell University	1,500 ¹¹ (1,350)	2,100 ¹² (1,950)	1,605 ¹ (1,585)	
State University of New York:				
Freshman-sophomore	750	1,175	650	650
Junior-senior	900	1,400	650	650
North Carolina:				
North Carolina State	487 (473)	2,033	320 (316)	775 (675)
North Carolina A. & T. U. State University	540	2,073	344	425
University of North Carolina, Chapel Hill	453 (449)	1,997	425 ⁷ (400)	700 (585)
North Dakota:				
North Dakota State University	435	1,164	382 (412)	600 (570)
University of North Dakota	467 (456)	1,195 (1,184)	350 (320)	600 (570)
Ohio:				
Kent State University	810 (804)	2,010 (2,004)	714 (624)	540 (450)
Miami University, Oxford	840 (780)	2,040 (1,980)	624 (600)	771 (725)
Ohio State University	780 (750)	1,830 (1,800)	¹ 1,335	
Oklahoma:				
Oklahoma State University	464 (456)	1,244 (1,236)	482 (450)	458 (440)
University of Oklahoma	⁶ 445	⁶ 1,225	1,040 ¹ (1,000)	
Oregon:				
Oregon State University	561 (535)	1,821 (1,717)	425 (380)	673 (605)
University of Oregon	573 (540)	1,833 (1,722)	1,120 ¹ (1,020)	

See footnotes at end of table.

1974–75 STUDENT CHARGES, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES—Continued

(Figures shown are rates for typical full-time undergraduate students for a full academic year of 2 semesters, 2 trimesters or 3 quarters. Where this year's figures represent a change over last year's, last year's rate is shown in parentheses)*

Institution	Undergraduate tuition and/or required fees		Room rate	Board rate (7 day unless noted)
	Resident	Nonresident		
Pennsylvania:				
Penn State University	960 (900)	2,160 (2,100)	1,239 (1,185)	----------
Temple University	1,050	1,950	842 (812)	662 (638)
University of Pittsburgh	1,024	2,014	850 (820)	550 (480)
Puerto Rico: University of Puerto Rico	165	165	700	----------
Rhode Island: University of Rhode Island	796 (764)	1,696 (1,664)	700 (600)	730 (640)
South Carolina:				
Clemson University	640	1,340	420 (400)	590 (550)
South Carolina State College	500 (480)	980 (960)	360 (288)	684 (576)
University of South Carolina	584 (570)	1,294 (1,280)	480 (440)	1,120 [11] (1,020)
South Dakota:				
South Dakota State University	613 (587)	1,353 (1,337)	400 (350)	500 (420)
University of South Dakota	584 [6] (553)	1,280 [6] (1,249)	390	580 (520)
Tennessee:				
Tennessee State University	374 (351)	1,214 (1,161)	328 (1,161)	450
University of Tennessee, Knoxville	417 (399)	1,269 (1,209)	495	625 (570)
University of Tennessee, Chattanooga	434 (416)	1,286 (1,226)	470	800
University of Tennessee, Martin	417 (384)	1,269 (1,194)	495	625 (570)
University of Tennessee, Nashville	372 (333)	1,224 (1,143)	N/A	N/A
Texas:				
Prairie View A. & M.	285	1,581	550	648
Texas A. & M. University	280 [8] (279)	1,360 [8] (1,359)	468	752 (653)
Texas Southern University	365 [8] (335)	1,445 [8] (1,415)	1,200 [1] (1,024)	----------
Texas Tech University	294	1,364	1,056 [1] (986)	----------
University of Houston	294 [8] (246)	1,154 [8] (1,106)	1,130 [1] (1,050)	----------
University of Texas, Austin	322 [14]	1,182 [14]	566 [7] (605)	648 (624)
Utah:				
Utah State University	453	1,008 (963)	1,044 (850)	----------
University of Utah	480	1,245 (1,155)	455 (430)	631 (593)
Vermont: University of Vermont	1,068	2,768	585	578
Virgin Islands: College of the Virgin Islands	314	814	1,048 [1] (1,008)	----------
Virginia:				
University of Virginia, Charlottesville	644 (622)	1,569 (1,447)	395 (375)	620 [3] (580)
Virginia Polytechnic Institution and State University	627	1,227	936 [1] (846)	----------
Virginia State College	738 (690)	1,198 (1,150)	764 [1] (723)	----------
Washington:				
University of Washington	564	1,581	1,140 [1] (1,020)	690 [16] (405)
Washington State University	564	1,581	466 (444)	684 (606)
West Virginia: West Virginia University, Morgantown	310	1,140	[1] 1,305	----------
Wisconsin:				
University of Wisconsin, Madison:				
Freshman-sophmore	573	1906	595	620 [16] (560)
Junior-senior	648 (628)	2204 (2006)	595	520 [16] (560)
University of Wisconsin, Milwaukee:				
Freshman-sophmore	573	1906	800 (710)	595 (565)
Junior-senior	648 (628)	2204 (2006)	800 (710)	595 (565)
Wyoming: University of Wyoming	410	1376	405	666

---

*Graduate fees are available from ORI.

[1] Combined room and board.

[2] 5-day board plan.

[3] Board consists of 20 meals per week.

[4] Combined figures given last year.

[5] Separate charges for room and board given last year.

[6] Tuition calculated on a per credit hour basis.

[7] Average figure.

[8] Per credit hour charge—the apparent decrease is due to a change to the semester system.

[9] Combined plan is also available—$694 (650).

[10] 19 meals per week.

[11] 5-day plan was reported in 1973–74; figures for the current year are based on a 7-day plan.

[12] Statutory colleges only: (a) New York State College of Agriculture and Life Sciences; (b) New York State College of Human Ecology; (c) New York State School of Industrial and Labor Relations; and (d) Cornell University—New York Hospital School of Nursing.

[13] Combined plan in 1 building only.

[14] Tuition charges have been calculated on the basis of 12 semester hours, the amount set as the maximum load for students in academic institutions of the University of Texas system by the University of Texas system board of regents. Administrators have authority to permit individual students to carry heavier loads and many undergraduate students will continue to carry loads of approximately 15 hours.

[15] Board available separately.

[16] 14 meals per week.

Mr. O'HARA. Thank you. Does the gentleman from New York, have any questions?

Mr. BIAGGI. No, Mr. Chairman.

Mr. O'HARA. Mr. Quie, do you have any questions?

Mr. QUIE. Yes.

Let me ask you about the administrative money. You are suggesting 5 percent of the money be used for administration.

What is your experience with administrative costs of the various student aid programs, the BOG's, SEOG's, work-study and NDSL?

Mr. HUITT. As I understand the BEOG's, it requires a lot of help from the students to get it. The work-study too is expensive because there is a good deal of bookkeeping an time charges that have to be kept and that sort of thing.

Jerry, do you know anything else about those programs?

Mr. ROSCHWALB. I am not sure if there are any hard figures available to check. When you think of administrative expense, in this instance, you are thinking of something that is not generally thought of as administrative.

These are such things as counselling, instruction of parents, consulting, filling out forms, identification of forms, a whole chain of activity that is not easily charted.

I think we could come up with figures though.

Mr. QUIE. Let us just take two of the straight grant programs, SEOG and BEOG. What are the differences in at least the time, and therefore, the expense that you have working with the students in those two programs?

Mr. ROSCHWALB. In actual practice, none. The BEOG in the first 2 year of running has turned out to be quite an expensive proposition in terms of time for counselling.

The students are not aware of the program. They have to be chased after, and at some institutions, they have to be virtually threatened—you must apply for a BEOG before we let you have any money.

There is a lot of conversation with parents who do not understand the forms, what they should fill out, what they should not fill out.

The SEOG program is a long established one and although it still takes a certain amount of time, it is a systemmatized procedure.

Mr. QUIE. You have to chase after the students there too?

Mr. ROSCHWALB. That is less so because people are aware. At first, 2 year ago, the students were not aware of what the BEOG program was all about, whether they were qualified or not.

Many students heard they would get $50 or $100. There was a lot of false information, that it was not worth the effort to apply.

It is still not a completely operating program.

Mr. QUIE. Once it is well known, is it going to be different from SEOG or will the expenses be about the same?

Mr. ROSCHWALB. It will probably always be high at the freshman level. Once a student gets involved in it and understands the procedure, it will be less expensive in the following years.

I do note that notwithstanding the program that OE ran to advertise this year, we still had shortfall of students and I think 135 million dollars to carryover.

It is a problem getting students, explaining it to them, helping them fill out forms and a large number of the forms have to be done again because of that problem.

It will probably remain so because of the nature of the student that we are going after.

Mr. **Quie.** BEOG is no different than food stamps, if we tried to estimate the number of people who are eligible for food stamps and appropriated the money and tried to stay within that, rather than give them an entitlement to come up with whatever the cost was.

There is a much smaller percentage of those estimated eligibles for food stamps who actually take part and it might be the same for BEOG.

Mr. **Roschwalb.** That is right.

Mr. **Quie.** You are talking about the training of financial aid officers. Do you think this would prevent some of the rapid turnover of financial aid officers?

It seems to me one of the big problems is the rapid turnover rather than not knowing what to do.

Mr. **Roschwalb.** There was a figure used about 6 months ago that indicated the average salary for a student aid officer was something like $10,500.

I imagine the rapid turnover has something to do with that. It is a chicken and egg problem.

Are they not being paid well because they are really not very qualified or can you not get qualified people because you are paying a too low amount?

Mr. **Quie.** Or did the colleges neglect to pay them once they come on?

Mr. **Roschwalb.** They neglect to pay them more because of the crunch of dollars, and if there were a higher percentage of income as a result of an automatic reimbursement of administrative costs, then the college could be held accountable for raising the salaries or getting qualified people who would have to be paid more.

I think that is what we mean when we suggest an increase in administrative costs amounts.

Mr. **Quie.** Let me ask you about legislation that we have enacted in regard to discrimination.

You have the legislation plus the court decisions the civil rights, the sex discrimination legislation and recently the Buckley amendment.

How is that operating now in your colleges? What problems do you have?

Mr. **Huitt.** Let us take them one at a time. One of the things we have been concerned about is Judge Pratt's order that order that higher education in the South comply with the antidiscrimination requirements.

One of the difficulties I am sure you recognize is the college students are voluntary students. Where the public is operating schools to which they require children to go, the public has some control over the public schools as to where they send those students.

My own notion of the way to increase the integration in those southern institutions is not to close down the predominantly black institutions.

They are too much of an asset; too many students go through them now.

The quality of the black institutions should be increased until they attract white students.

I can give you an example—North Carolina A. & T. University—which got a foundation grant and improved the quality of its engineering school until it got professional accreditation.

The immediate result was it drew a lot of white kids from that neighborhood because they could get there what they wanted. This was closer to home and cheaper than if they tried to go to the University of North Carolina.

I saw the same kind of thing at Prairie View A. & M. College. I made a commencement speech one night and the masters in education in that class of graduates was 50 percent white because the students in that neighborhood wanted to go there for the upgrading of their qualifications.

They could do it without going to Austin.

We have found in all of these colleges an increasing number of white students. Students do not really care that much about old prejudices.

The old notions of racial discrimination, and so forth, for the most part are not held by students and if the quality institution they need is close enough to their homes, they will go there.

The fact that it may be 70 or 80 percent black does not bother them at all. I think that is going to take care of that problem.

In regard to the general question of minorities and women, I suggested a little bit ago that my own belief is that the pipeline has got to be filled with people who are taking graduate courses, professional courses, so that they come out in great quantities and then can be fed into teaching staff and administrative staff of the colleges and universities.

I think we are having some success in doing that now but frankly the stockpile is not very large.

I was saying to the chairman a while ago that we would think it would be a very useful thing to set up a youth program in which the money is earmarked for minorities and for women to go to professional schools and graduate schools so that when the time comes and someone says you have to obey the law, there will be someone there who is qualified to do the job, and the law can be satisfied.

I think we are moving on that. But I do not have any doubt that some people are dragging their heels. If I did not, that would make me change my whole view of human nature.

However, at the same time, I think some success is being made.

Mr. QUIE. On the Buckley amendment, what is your reaction?

Mr. HUITT. I think our people feel pretty good about that. As a matter of fact, there was a great deal of satisfaction among our institutional heads over the extremely open and cooperative attitude of Senator Buckley himself and Senator Pell who is working with him on that.

We believe in that exchange, and I think this is a good example of the way you ought to work with the Congress, in the exchange between our institutional people and these two Senators, we think most of our objection will get worked out.

Mr. QUIE. The last question I have is this. Yesterday, in the Education and Labor Committee, we reported out the Older Americans Act with the prohibition against discrimination on the basis of age.

What are the policies now of your institutions in relationship to admission of students on the one hand, in regard to age, and secondly, the hiring or retirement and promotion of personnel employees in regard to age?

Mr. HUITT. I will have to check those figures. This is a kind of institution-by-institution thing, but let me say in regard to the general question of the older student that there is, I think, complete acceptance that universities have to move in the direction of helping these students.

First of all, the University of Nebraska we started a program which they call SUN—State University of Nebraska—making use of television, newspaper study courses and all kinds of things which made it possible for people in the State who could not come to the campus to get campus credit.

The University of Nebraska then get with five other midwestern universities and they have agreed to share facilities, share courses, share know-how, and that kind of thing.

They have organized what they call the University of Mid-America. This is made up of a consortium of State universities.

I think that anyone in higher education today knows that the next breakthrough, so far as recognizing responsibility to the continuing student—that is, to the adult student, who can only go part time—and we owe it to that person to have the university bring these resources to him or her.

If the university is to be dynamic and able to hire young people and continue to grow and so forth, it has to find a new kind of student.

I think this is absolutely inevitable. I think our own institutions will take the lead in it because we have a long tradition of extension, of outreach and going out to find people, sales people, labor people, small business people and what not, and organizing courses for them.

I think we are equipped to do it and I know our people can do it. I think it will succeed.

I think the success of it is inevitable.

Mr. QUIE. It is my view that we should encourage—and I am sure it must be the feeling of the gentlemen from Indiana—the concept of lifelong learning, the opportunity to attend at any time during your life, not only in the period of time that is normal, right after high school.

I believe this legislation will encourage it. The question you did not answer, though, is on employment.

Mr. HUITT. I will have to check that again. I am very much concerned with that. I am getting to the point where I do not want discrimination against anyone because he just happens to be 80 years old.

However, as to what the actual practices are, I cannot answer that question now, but I recognize the validity of the question and I will look into it and submit my findings.

Mr. Quie. Could you submit it?

Mr. Huitt. Yes.

Mr. Quie. Thank you.

[The following letter was subsequently submitted:]

April 9, 1975.

Hon. Albert H. Quie, M.C.
Rayburn House Office Building,
Washington, D.C.

Dear Al: During my recent appearance before the House Subcommittee on Postsecondary Education, you raised a couple of questions which, at the time, I was unable to respond to without reference to our member institutions. The first question dealt with policies at our institutions regarding age discrimination in hiring and other employment practices.

My staff has done a spot check of a number of representative institutions in different geographical sections of the country, and we can report the following from this quick poll:

(1) Generally, the institutions indicate they have no official policy regarding a ceiling on age for hiring personnel.

(2) Of eight major universities, four stated that they required retirement at 65 and four at 70 for all staff, administrators and faculty.

(3) Two of the institutions checked reported that they have separate retirement schedules for administrative staff and faculty. The retirement age for administrative staff is set at 65; for faculty, 70.

(4) Two institutions require administrators to relinquish posts at age 65. These administrators, however, are permitted to stay on as faculty members if they held faculty status prior to administrative employment.

(5) Seven institutions reported that certain exceptional persons are encouraged to stay on after reaching retirement age but only with the approval of the main governing board of the institution. In these cases, the institutions report that contracts are renewable annually and benefits usually are dropped.

Although this is only a small sampling of our membership at large, I suspect that a survey of the entire membership would reveal comparable practices. I imagine that the Congress' special interest may lie in the area of hiring. Since appointment of new employees at our large universities is a determination made in many different places on the campus, it might be difficult to pinpoint whether actual practice differs from the official non-discrimination policy. I would think, too, that the age factor on university compuses might play a different role than in the American society at large, particularly in industry. Certainly, accomplished scholars in their 50's and 60's are sought after by institutions seeking to increase the stature of their academic programs. Likewise, senior administrators at several levels of university life are recruited from other institutions where they have established reputations for high competence. To add a personal note: I am in the age bracket we are talking about. But the University of Wisconsin has kept me in an "on-leave" status for ten years. I can go back any day. I doubt that I am exceptional.

In non-academic areas, I would guess that the universities reflect American society at large in the treatment of age discrimination. However, there is a possibility that the traditional respect for experience and wisdom, often appropriately associated with age, may have a stronger hold in the academic world than in commerce and industry. This, of course, is purely conjectural, and I am not certain how one would easily determine the actual practices on our campuses without a major, organized study.

One other question you raised concerned the costs of administering the different student aid programs, particularly BEOG and SEOG. Initial investigation indicates that total costs of operating offices of student financial aid are not broken down to allow easy answers to these questions. A study conducted by the National Association of Student Financial Aid Administrators shows a cost of $30 in administrative costs for each BEOG recipient. I understand that Richard Tombaugh, who heads the NASFA Washington office, will be sending you this study shortly.

I hope the above is responsive to your inquiry. If this is a matter in which the Congress feels the need to have more specific and detailed information, perhaps the higher education associations as a group could undertake a survey or a study to produce more complete information. Please let us know if we can be of assistance.

Sincerely yours,

Ralph K. Huitt,
Executive Director.

Mr. O'Hara. Mr. Biaggi?

Mr. Biaggi. I agree with your response, Mr. Huitt, to the question proposed by Mr. Quie as far as discrimination is concerned in the various schools.

I agree that if you improve the quality of education, that the integration problem will not really be a problem.

I do not believe in the state of mind that the student has, he has that racial hangup, and he will go where the action is. It is as simple as that.

It has always been our objective and it is important that you deal first with the professional schools and courses that lead up to professional schools which lead onto dentistry, medicine and the like.

That is where we must deal with the ultimate problem, by dealing with the problem in the early stages.

In my judgment, there is a great deal of discrimination but it is done blatantly in some areas and more sophisticatedly by virtue of the fact that in the early stages, these schools have not permitted entry.

I have two questions to ask. One, what is a minority in your judgment?

Mr. Huitt. I think the definition would be any group that is not a part of the majority.

Mr. Biaggi. That would be Webster Dictionary's definition, right?

Mr. Huitt. I guess so. I have not looked it up.

Mr. Biaggi. I agree with you. I am not contentious of that point. I would just like to elaborate on this.

The practical application of that definition as it relates to institutions, not according to Funk and Wagnall or whatever, but what is your definition?

Mr. Huitt. I do not know what the technical definition would be. I would think that every student who comes from a group which is numerically a small part of the population is a minority.

I must say in regard to this act, you use the term minority a lot, generally with the assumption that the disadvantaged are going to be among the minority students.

However, this act does not set out to fund or to assist minorities. It sets out to fund and assist disadvantaged students.

Any student who cannot afford college education or his family does not have the income to do this—under the definition of this act, that student would be a disadvantaged student.

The thrust of the act is in that vein. The reason I use minorities, women and so forth is that they are the ones who tend to be the most disadvantaged.

However, under this law, an Anglo-Saxon, Protestant minister could qualify if that minister is poorly paid.

Mr. Biaggi. According to that definition the son of the Anglo-Saxon minister is a very distinct minority. We do not have many

Anglo-Saxon ministers in contract to the total population, but again, we are not definite here.

I will agree that the law should be applied to the disadvantaged. I do not agree that disadvantaged and minorities are synonymous.

Mr. HUITT. No, I would not say that. No, sir.

Mr. BIAGGI. The fact of the matter is if we are talking about women, let us just talk about women.

Mr. HUITT. They are a slight majority.

Mr. BIAGGI. They should be disregarded according to this discussion because they are in fact, not a minority.

Mr. HUITT. But if they are in fact disadvantaged, then that changes it.

Mr. BIAGGI. Yes.

Mr. HUITT. May I pick up something you said a moment ago which I think is profoundly correct, when I suggested that we ought to do something specifically to help minorities and women get into this pipeline, I recognize the absolute folly of simply saying that when a student graduates from college that this program can then be picked up.

Frequently, as you indicated, what keeps the poor kid out of medical school is the fact that very early someone counsels him that medical school costs a lot of money.

You cannot go if you do not have the money. In many institutions, at which there are the kinds of students we are talking about, it is necessary for someone to reach the student about the sophomore year and guarantee to that student that if he takes the courses and passes them, that someone will see that he can go to college and get a medical degree.

We have made some efforts in this regard, the more successful of them being to help work out a partnership arrangement between a large university which has professional courses for the graduate and one of the predominantly Black colleges.

I mention North Carolina A. & T. and Rutgers University. This started out as I recall as an arrangement with the graduate people.

We found that at A. & T. there were a lot of qualified students there and Rutgers guaranteed out of their funds to take a certain number.

They were to tell them in the sophomore year "if you want to get a Ph. D., you go to Rutgers with help all the way if you do all right in the next 3 years."

Instead of dropping out or taking shop courses, they have that alternative.

A law school dean saw that this was working and he went down there. The situation now is that in the graduate school of Rutgers University, the second largest source of graduate students is North Carolina A. & T.

The largest source is Rutgers University itself. This is not an ideal arrangement even though it is very helpful.

The reason it is not ideal is that it limits those North Carolina A. & T. students to one university and they might want to go to another.

Something should be worked out where swaps can be made and students can pick the university they want to go to. That would be fine.

I think it is certainly true that simply to say to graduating seniors, here is the money to go to graduate school or professional school, when they have not prepared themselves for that, is not meeting the problem.

Mr. BIAGGI. One more question. You talk in terms of disadvantaged rather than in terms of minorities and women. Would you regard a son or a child of a middle income family who is desirous of educational assistance as disadvantaged in relation to this bill?

Mr. HUITT. Yes, sir. Anytime a student wants to go to college and cannot go to college because of financial reasons, that person is a disadvantaged student, in my view.

I remember when the requirements were first being set for family income, how much could be earned, and the student could be considered under that law.

The president of the University of Arkansas laughed and said three-fourths of our students can make that because the annual income per capita in Arkansas is quite low.

I would guess in some of the States like New York and California, where income tends to be high, I would think that in some cases, welfare payments might disqualify students.

Mr. BIAGGI. I would not think so but I appreciate the point you are making. One more question.

Do you think the students should have freedom of choice as far as a private institution as well as a public institution?

Mr. HUITT. Oh yes, of course, he should.

Mr. BIAGGI. Thank you very much.

Mr. O'HARA. I think the gentleman from Indiana?

Mr. BRADEMAS. Thank you, Mr. Chairman. I want to welcome Mr. Huitt and Mr. Roschwalb and say it is very good to see them here.

If I may just make an initial observation, Mr. Chairman, I think in view of some of the difficulties we have had over the years in higher education legislation, it is most fortuitous that someone like Mr. Huitt should be in his position of responsibility with the National Association of State Universities and Land Grant Colleges.

As we are aware, he has not only served in the executive branch, in important decisionmaking responsibilities, but is also widely regarded as a leading authority on American political science.

So we hope he understands both sides of the avenue. I might even suggest the Secretary of State could use his counsel.

I am glad to see you.

Just an observation about Mr. Huitt's testimony and three quick questions.

One, I may say that you may not be surprised to learn, Mr. Huitt, I am generally sympathetic with the reservations that you have expressed with regard to H.R. 3471, an observation that I know will not come as a surprise to my beloved friend and distinguished chairman of this committee.

I have three points to put to you. One is with respect to institutional aid.

I have seen your assertion on page 5 that the cost of education provision is not an institutional aid. Indeed, you italicized it and I am not sure inserting that point of view makes it so.

That has indeed astonished me as one of those helped, as you recall, put that together, along with Mr. Quie, Mr. Thompson and Mr. Dellenback.

Given all the climate we hear in the country about the distress of colleges and universities, we have almost no pressure from at least the associations that represent our educational institutions for funding of the provision which I think you would not disagree which is intended to be a measure to help provide aid to institutions to be expended as they see fit.

I have read, as I am sure you have, the statute describing the purposes for which the institutional aid money can be expended.

There is almost no limitation with an exception or two imposed upon a college or university given that the law is on the statute books.

Such silence from you, if you are really in all of the financial trouble that you suggest is unbelievable.

Mr. HUITT. Mr. Brademas, there are things we tried to do that we have not succeeded in. We have tried on the cost of educational allowance with the Appropriations Subcommittees.

You know how generally it works in our House subcommittee that if you are really going to have a chance to get something funded which has not been funded and you want to get funds saved, raised or something like that, you find a champion on the subcommittee.

I have found a champion on the subcommittee, a very dear friend, but he said very reasonably to me, as it came down to the mark-up, "Ralph, do you have any support for me in the subcommittee? I do not want to be the only one doing this."

I made a check and I had to say to him honestly, because this is what was required, that I could not find anyone who would promise to support him in the subcommittee.

I said, "I cannot ask you to do it." What I have suggested to the chairman is something like this.

We would really make an effort to build up the kind of pressure, if you will, the kind of support for this provision that would be required to get it funded.

Then if we find that we cannot do, with all of the effort that we have put into it, then it is obvious finally that it is foolish to continue to talk about it as if it were going to happen one of these days, just because someone overlooks it or something like that. I would agree with you that if it is not going to work, we will try something else.

Mr. BRADEMAS. I appreciate your response and I understand it. To some extent, it is a self-fulfilling prophecy.

All I am saying is that I hear, as one of the sponsors of that measure—I do not think I have a letter from the university leaders in the United States telling me in paragraph 1 how financially pressed we are and in paragraph 2, say do what you can to help get that appropriation funded.

It is a new Congress, you will recall. We have new members on the Appropriations Committees and certainly on the respective Appropriations Subcommittees.

I might suggest that you might want to take a new look at the situation because you may find more sympathy. However, I do not think you are going to find much sympathy there if there is silence on the part of American university leaders.

I just do not hear from any university leaders about this and that tells me, not that they have given up, which is what your explanation has been but at least I have raised the question.

They are still unhappy with the nature of the institutional aid provision about which they were not very enthusiastic when we wrote it.

I would rather—rather than try to get some money under it, they said let us not bother.

Mr. Hutt. I do not believe that is so, Mr. Brademas. Money is money and I think whatever was said about institutional aid at that time, this is recognized by our people as being a source of very real help.

If you do not mind a little talk about politics, let me tell you something about my constituency problems.

We have 130 institutions and they are public institutions which means they are State-oriented. I do not know any of them really which has not built up a network of influence in regard to the State legislature because that is where their big appropriations come from.

I have overheard some of our people talking about. They know what alumni to send to see the chairman of the Appropriations Committee they know what regent region to talk to legislators and that type of thing.

However, when we ask them to talk to congressman on some national matter, we get some cooperation all right, but the cooperation is not what I asked for.

I beg them, "Give me your first team, get this region into gear with the Congress because we have a real emergency here."

The President will sit down and write an identical letter to every member of his delegation.

If it happens to be the University of Minnesota, the University of Minnesota delegation will get one letter apiece because that is all we have in that State.

In Indiana, from the University of Indiana and Purdue, you would get two letters. That is not exactly a flood. I would not expect you to be transfixed by it.

Mr. Brademas. What about the university faculty? Have they no interest in money coming to the university?

Mr. Hutt. Mr. Brademas, I was a professor for 17 years and I tell you, the separation between the professors and the administration is what the Constitution says it should be with separation of church and state.

Mr. Brademas. Let me go on to my other two questions. I make this observation before I make the next question, not unrelated to what you just said.

You know we hear a lot of talk about that there is not much money available for student aid, but Mr. Huitt since we wrote the 1972 amendment, there has been an increase in the appropriations for all of the directly funded Federal students-aid programs of 77 percent.

That is not too bad. That shows that Congress is willing to be responsive where we really see and perceive a need, and perhaps feel some heat.

In that connection, I am surprised that I have not heard anything much about the BOG program and the fact that although Congress made available for 1973–74 academic year $122 million, the Office of Education managed to spend only $50 million, nearly 12 of which was for administrative costs.

During the current academic year, they have approximately $135 million of the total $530 million available, though unspent.

That is either a massive deception on the part of the Office of Education on the Congress or a case of massive incompetence in calculating.

We have been through this one and I find myself really appalled by the situation. I wonder why we have not heard more from the higher community of education about that particular problem.

I wonder if you could comment on it and give your recommendations of how we ought to cope with it.

Mr. Huitt. I would say I too am appalled by all of this money provided for students to be assisted who are going to school, not being spent.

I think every penny of it should be spent. I do not want to comment much on the Office of Education because I do not want to attack it.

At the same time, it is not my job to defend it. It looks as though something has certainly gone wrong there.

I think the principal difficulty with the program is that it is a delatively new program and it is a complicated and difficult program.

I sometimes wonder, for instance, if I would rather quit working than make out my income tax every year and I think some of these students have run into this kind of thing.

They do not really know much about it and unless the student assistance officer finds them and instructs them on what to do, they may not make application.

I agree with you that one point we are to make to the subcommittee is that we should make an all-out effort this coming year to make sure these moneys are applied for, awarded and spent because it is ridiculous to talk about students needing assistance and then have students not use the assistance provided.

Mr. Brademas. I share that. I know our chairman of the subcommittee feels the same way. I was struck in that connection by your proposal that some money be made available, as I understand it, for administrative purposes for student-aid programs.

It may well be that the Office of Education has simply done an incompetent job in making young people aware of the existence of this program.

The potential students have to know about it but I know someone in my office made that kind of miscalculation in a campaign of how many votes I was going to get in a certain county, he would not be in business very long.

Thank you very much.

Mr. O'Hara. Neither would you.

Mr. Brademas. Thank you very much.

Mr. O'Hara. Thank you very much, Mr. Brademas.

Mr. Huitt. Just pursuing Mr. Brademas' last remark for a moment or two, one of the objectives of H.R. 3471 is to simplify the student assistance scheme.

You have indicated your knowledge that the scheme is now terribly complex and very confusing by your suggestion, for instance, that we might provide some money to train student financial assistance administrators.

The truth of the matter is, not even the student financial administrators understand it, much less the students or would-be students.

Mr. HUITT. We are going to have some witnesses who will say: "Keep everything essentially the way it is and certainly do not reduce the number of programs—of any program that you are thinking of abolishing, restore."

Maybe letting them know things are available is like letting them know that one can understand. If he wants to work at it for the next half dozen years, he can understand it.

However, maybe that is the way it is with student assistance programs.

Maybe we can come out with some ideas from our general community of associations on how it might be simplified.

Mr. BRADEMAS. If the Chair just might yield for another observation of this. Of course, it is not only the awareness on the part of the stdents of the programs, but the schedules that are put together by the Office of Education based on their calculations and judgments.

I think it is not unfair to say that they have been woefully amiss in those, too.

Mr. O'HARA. I thank you.

Mr. QUIE. Just one point, sir. Am I to understand that you support the idea of having BEOG entitlement where the students would receive the amount under the formula and the Federal Government would pick up the costs?

It would be an uncontrolled cost, similar to what we have in the GI bill.

The way it is now anybody qualifies for the GI bill and receives that amount.

Mr. HUITT. Yes, sir.

Mr. QUIE. And you support that?

Mr. HUITT. Yes, sir.

Mr. QUIE. If we do that, then we will never have the problem of carryover again?

Mr. HUITT. Yes, sir.

Mr. O'HARA. Thank you very much.

Mr. HUITT. Thank you.

Mr. O'HARA. The next witness will be Mr. Charles Kidd, who obviously is no stranger to the subcommittee and has appeared before us on other occasions and discussed higher education questions with members of the subcommittee.

Mr. Kidd is the executive secretary of the Association of American Universities.

Mr. Kidd, we are very pleased to hear from you.

STATEMENT OF CHARLES V. KIDD, EXECUTIVE SECRETARY, ASSOCIATION OF AMERICAN UNIVERSITIES

Mr. KIDD. Thank you Mr. Chairman. John Crowley the associate executive secretary of the association is with me.

With your permission, I would like to have a prepared statement inserted into the record, and comment on certain aspects of the bill.

Mr. O'Hara. Without objection, the statement will be entered in the record in full at this point. You may proceed.

[The statement referred to follows:]

PREPARED STATEMENT OF CHARLES V. KIDD, EXECUTIVE SECRETARY, ASSOCIATION OF AMERICAN UNIVERSITIES

Mr. Chairman: My name is Charles Kidd, and I am testifying as the Executive Secretary of the Association of American Universities. This is a group of 48 American universities with complex programs of graduate and professional education and research. They share concern for such problems as equity, access and choice that are common to all postsecondary educational institutions. In addition, the effect of student aid provisions on graduate and professional students is a matter of importance to them. Incidentally, 23 of the members of the Association are private and 23 are public. All of the public institutions are members of the National Association of State Universities and Land-Grant Colleges.

The opportunity to comment on your aid bill is sencerely appreciated. We are indebted to you for introducing a bill which has new ideas that are worthy of serious consideration, and which has stimulated and tended to crystalize thought on the existing student aid provisions and changes that might be made in them.

While there has not been time enough to secure an Association position on H.R. 3417, we have been able to discuss the bill among the various associations, and to secure reactions from some university presidents, student aid officers and others.

On the basis of these reactions, I can report that there is general agreement among those associated with the AAU universities that the testimony presented by Charles Saunders on behalf of the American Council on Education is close to the position that they would take on many significant issues, as I shall indicate. Let me mention some of them, with the reservation that further review may result in change of attitude.

As generally important principles, we believe that:

1. *Adequate appropriations are a first priority*—A number of people have pointed out that some changes proposed in H.R. 3471 are sound if the aid provisions are fully funded, but unacceptable if they are underfunded. For example, decreased reliance on loans is a sound principle only if the grant and work study programs are adequately funded. As another example, elimination of preference for students with greatest need from the work-study program is sound only if adequately appropriations are made for the program. (To illustrate, data supplied by the U.S. Office of Education for the current academic year show that initial institutional requests for CWSP totaled $614 million, of which 86.1% ($528 million) was approved by regional review panels. However, the actual federal allocation available this year was $270 million; or only 51.0% of panel approved requests.) There is widespread reluctance to cut the upper limit on student loans and to drop preference for needy students under the work study programs not so much because of disagreement in principle but because of the probability that funding will not be at an adequate level. When funding is adequate, there would be more of a disposition to move in the direction proposed by the bill. In short, the terms of the student aid provisions have to be judged in the light of and not independently of anticipated funding levels.

2. *Establishment of the principle of entitlement is important*—All of the rhetoric about entitlement is hypocratical when the word is used, but when students have no entitlement in the sense that recipients of social security, or G.I.s, or the banks have a firm statuory contractual right to payments, and appropriations are automatically made adequate to cover the required payments.

3. *Cost of education payments should be available to institutions*—The distinction between aid to students and aid to institutions is a vestige of an old argument that no longer exists. The great bulk of federal aid now goes to students, as it should. But for institutions to give students a good educa-

tion, the institutions themselves need funds. Every federally aided student accepted by a college or university imposes a cost on the institution, and these costs must be met if the quality of teaching is to be sustained.

Turning to the specific student aid proposals, I shall not touch on every aspect of the bill, but rather comment on matters which on a first review of the bill seem significant to those assocated with large universities.

BEOG'S

With respect to BEOG's, I have found general agreement that the maximum grant should be increased and not decreased, and that the minimum should not be reduced from $200 to $100.

There seems to be among representatives of the AAU institutions a preponderance of opinion that deletion of family assets from the formula for determing the expected family contribution is sound. However, some observers advise caution and urge attention to the results of current studies before taking this step. This view is taken because some universities have found that in local administration of aid programs, it is possible and desirable to take asserts into account.

There also appears to be a clear consensus, although not unanimity, that removal of the one half cost limitation is sound. Those who oppose the removal point out that in the absence of measures to assist private education to meet the worsening financial crisis in this sector, removal of the half cost limitation would shift enrollment further from private to public institutions. This raises the point that the bill, in a laudable effort to encourage low tuition, does not contain measures designed to assist private institutions. While the design of a plan for such aid involves complex and controversial issues, full consideration of a structure for federal aid to postsecondary education must encompass the question of financial assistance to private institutions.

Finally, there is strong sentiment for reducing the maximum award, rather than imposing a proportionate reduction on all recipients, when funds are not adequate to make full awards.

SEOG'S

With respect to SEOG's, I find an urgent and widespread feeling that the existing SEOG program should be retained as an indispensable part of a student aid program, at least for the foreseeable future. There will be strong opposition to elimination of the program as the bill proposes. The improvements in the program suggested by the ACE are widely approved.

The fact that the SEOG program as it exists provides a means for local adjustment to the needs of individual students remain a central reason for the retention of the program for the foreseeable future.

FEDERAL MERIT SCHOLARSHIP PROGRAM

Establishment of a Federal merit scholarship program seems to be widely approved in principle, but I have found no one who would support the establishment of such a program without an extensive study of what are seen as major problems. I shall state these in greater detail later. Incidentally, I have found that the universities in which a high proportion of Federal merit scholarship winners would enroll would not consider endorsing such a program until more thought has been given to many basic questions that are at the moment unanswered.

SSIG

The proposal to ransform the State Student Incentive Grant program into a block grant program giving states wide discretion in deciding what aspect of postsecondary education to finance has had a mixed reception. Some university observers would prefer to expand the program as a fellowship program, and some would require that the state programs finance out-of-state study in order to be eligible for the federal matching grant. Others favor broadening the purposes for which the States could use the federal grant, adopting the principle embodied in H. R. 3471. Among this group, there is general agreement with the point, made in the ACE testimony, that the purposes listed in the bill need further consideration. For example, it is not clear that facilities expansion should be a priority area, given the existing capacity and the enrollment outlook. And if facilities construction were to be a priority, low tuition as well as zero tuition institutions should be eligible. Finally, the erratic and inequiable results produced by the proposed distribution formula have been widely noted.

I would point out some problems with the proposed maintenance of effort clause. Experience with other legislation has shown that it is difficult to design maintenance of effort clauses that (a) do in fact result in maintenance of effort, (b) do not distort state expenditure patterns, and (c) avoid penalizing states which already have large appropriations for targeted programs. For example, over half of the estimated total of $456 million in State student awards in 1974-75, 53 percent ($245 million) will be made by New York, Pennsylvania and Illinois. They would have to continue to increase their already large programs in order to be eligible for matching funds, while many States could become eligible by simply establishing a student grant program or by increasing a small one.

I would prefer to offer some positive ideas on how such programs could be worked out, but time has not permitted this.

SPECIAL SERVICES

Among the commentators from AAU universities, there has been general concurrence with the equity of adding veterans to the special service programs and of considering as disadvantaged those students with inadequate ability in English. This approval in principle is tempered by the apprehension that in practice the $125 authorization level may be inadequate, and that actual appropriations may be so low that services to those currently eligible may be reduced. Further study of the effects of the proposed amendments is necessary before a firm position can be taken.

LOAN PROGRAMS

Turning to the proposed changes in the student loan programs, there is an unambiguous and unanimous view among the AAU representatives with whom I have talked that the law should continue to permit institutions to be lenders under the FISL program, but that only institutions which meet statutory criteria should be eligible as lenders. The ACE testimony presents the case for this in some detail, and others will amplify the case later.

On the proposal to place basic responsibility on State loan guarantee agencies, some observers have made the further point that it may not be realistic to expect that every state will in fact establish a guaranted loan organization if the federal government moves out.

The general tendency of the loan provisions to reduce reliance of students on loans is generally accepted as desirable in principle. However, there are warnings from a number of universities that this is best accomplished not by setting ceilings on the total amount of federal loans that a student may take out, but by providing a sensible and well financed grant and work-study program. There is the further point that a low ceiling for loans to students who proceed to graduate and professional schools may be more of a barrier than a protection.

The proposal to eliminate the NDSL program is flagged in the ACE testimony as being premature, and this is the prevaling sentiment among the major universities.

With respect to all of the issues involved in revision of the loan programs, there is a general belief that it would be wise to pay careful attention to alternative proposals developed by the Carnegie Council and the National Association of Student Financial Aid Administrators and in the process of development by the Consortium on Financing Higher Education.

WORK STUDY

I have heard nothing but concurrence with the terms of the bill relating to the work study program, with the exception of the two reservations expressed in the ACE testimony. Thit is, the authorization levels are too low to meet existing and future needs, and it is probably premature to eliminate preference for students in greatest financial need.

INSTITUTIONAL ADMINISTRATIVE COST REINBURSEMENT

In connection with the general provisions, there is widespread concurrence that BEOGs should be in the base for determning the 3 percentinstitutional cost reimbursement for administering student aid programs, and that a 5 percent reimbursement would be required to meet costs. Ample experience demonstrates that it cost money on the campuses to administer the BEOG program even though it is not a "campus based" program.

There is general concurrence with the terms of the disclosure and refund provisions, but these raise such complicated questions that it can not yet be said that they are completely satisfactory.

N.I.E.

The bill prescribes certain priority tasks for NIE. Without commenting on the urgency of the tasks stated in the statute, the desirability of setting detailed program priorities in law has been questioned. It might be possible to have NIE work on questions which the Congress considers most urgent by such a means as writing strong report language, thereby avoiding putting this year's priorities in permanent legislation.

UNDERGRADUATE FEDERAL MERIT SCHOLARSHIP

I should like to make some remarks on the concept of a federal merit scholarship program.

A national merit scholarship program financed from federal funds is in principle an attractive idea. The basic principle semes to be that the nation ought to ensure that the most intelligent young people are able to develop their talents to the fullest in the interest of the nation. In addition, there is the substantial symbolic recognition that the nation recognizes and honors merit. In the course of the never-ending search to find the best balance between recognition of excellence and equality of treatment, the imperative need to reduce inequities throughout the educational structur has led to a slighting of the need to recognize merit. Accordingly, there are good reasons for endorsing the principle of national merit scholarships for undergraduates. They have long been provided by the federal government at the graduate level, and this provides a precedent for extension to undergraduates.

However, even the brief time available for consideration of the proposal has brought to the surface a number of issues which range from fundamental questions of purpose to administrative matters.

The proposal raises a number of problems of equity. What weight should be given to the charge that the existing national tests are culturally biased If they are biased, how serious a deficiency is that if the goal is not to ensure equality of access but to select persons with clearly exceptional intellectual ability? Would there be systematic bias against the poor and culturally deprived or not? If so, how serious is this deficiency? It appears that there is a systematic cultural bias built into the tests. How seriously these should be taken depends on the purpose of the program. We do not view questions of this sort as technical matters to be decided administratively. The answers to them are related in a fundamental way to what the program is supposed to do. We have not yet had the opportunity to have a full debate on the issues.

The relationship between need and merit as criteria for eligibility is a question common to many scholarship programs. On the one hand, one can defend a merit based scholarship program which does not take need into account. This is done in the existing federal graduate fellowship programs. The principle invoked is that the goal is to attract the most able regardless of economic resources. This seems less defensible at the undergraduate level. One can go in the opposite direction, and award scholarships to the most meritorious provided they are also the most needy. This is the principle written into the bill.

However, limiting the eligibility for merit scholarships to those eligible for a BEOG raises another question of basic purpose. For example, assume that the basic purpose is to ensure that all of academically most talented young persons are not barred by lack of money from attending the educational institutions that will most effectively help them develop their talents. If this is the purpose, then the bill seems deficient because there will be many students with outstanding potential who are ligible for a BEOG because family income is a few dollars to a few thousand dollars above the cut-off level for eligibility. Yet thousands of these students and their families are clearly unable to afford the type of education that would enable the students to secure the education that will enable them to develop their talents most effectively. A generous full scholarship for those who are most needy, but not even a basic grant to those who fall above the BEOG eligibility cut off generates anomalies that should be worked out. Meshing need and merit in a scholarship or fellowship program is a notoriously tricky task, and the bill in its present form has not resolved the problem.

Then there is the question of the distribution of students among institutions. When the intellectually most able fraction of high school seniors are given, the opportunity to go to any college or university that they choose, the chances are that a high proportion of them will elect a public or private college or university that has an outstanding reputation for providing an education with a high academic standard. While this may be sound, some questions can be raised. For example, should the academically brightest students be concentrated in relatively few institutions and in a few parts of the country?

Decisions on the size of theprogram relate to many issues other than the budgetary ones. Should a very small cut of the upper end of the ability scale be eligible, or should the program provide broader opportunities? The bill would provide about 50,000 to 100,000 scholarships at any one time (assuming $2,000 per year to $4,000 per year average scholarships and an appropriation of $200 million). This would mean new awards of about 12,000 to 25,000 per year. We are unable to say without further study whether this is, in fact, a reasonable level. For example, we raise the question whether a $200 million merit scholarship program is in reasonable scale with a $600 million BOG program. In this connection it must be borne in mind that each merit scholarship would finance a number of BEOG payments—perhaps 5 to 7. There is an obvious problem of balancing broader access encouragement of excellence.

The terms of the bill which set the amount of the scholarship apparently need further thought. The maximum grant would cover all expenses associated with the student's education, but would ignore many student resources. The maximum grant would be limited to the total cost minus the family contribution and Basic Grant Award. Any student who received a State Scholarship, outside award, G. I. Bill benefits, etc., could receive those benefits in excess of their total educational cost. Thus, the maximum grant would allow some students to live in luxury while other students struggle to meet the bare necessities of being able to obtain their education. Further, the kind of students the law intends to serve are already being served substantially by outside agencies. Many award donors provide outside scholarships to students primarily on the basis of merit. These are the same students who would be served under the proposed bill and thus we have a concentration of awards from outside agencies and the Federal government on a very limited number of students at the expense of all others. It may be that such problems can be solved by rewording of the appropriate clauses, but there has not yet been time to see whether this is possible.

Given the attractiveness of the general principle of merit scholarships and the clear difficulties that appear when an effort is made to present a specific proposal, at least two courses of action can be suggested. The first is to put a study provision in the bill requiring a report to Congress on a merit scholarship lan within a given period. The second is to initiate a program on a small scale in an experimental mode so that problems can be studied in the context of an operating program. Both might be done.

All of the foregoing comments on the bill are made with a sense of appreciation for the presentation of a concrete proposal which has, as often happens, stimulated thought and the preparation of concrete alternatives when the terms of the bill appear—at least on the basis of the consideration that has been given to it to date—less than fully satisfactory.

Mr. KIDD. First, Mr. Chairman, we are indebted to you for introducing a bill which sets forth ideas that are worthy of serious consideration.

This has, I think, galvanized action and thought on the part of a number of groups and it will certainly contribute to the structure of a constructive bill.

What I shall say is not an official position of the Association of American Universities because they simply have not had the opportunity to go through the ratification process to define an official position.

However, I have talked with a number of people and can report where there seems to be a consensus and where there appears to be differences.

The first point I would make is that attitudes towards the number of provisions of the bill depend on anticipated levels of funding.

I think there is general agreement that the decreased reliance on loans would be sound but that is actually practical only if the grant and the work-study programs are adequately funded.

I think the same goes for the elimination of the preference for students with greatest need under the work-study program which is in principle sound. Then again, it depends on the availability of adequate appropriations.

As another general principle, I would reiterate what was said a little earlier. That is, I found widespread support for the principle of entitlement.

Finally, as a general provision, it seems to me that the distinction between aid to students and institutional support is the vestige of an old argument that no longer exists. The great bulk of the Federal money goes to needy students and to the Federal programs. It is recognized that is the way it ought to be. However, if institutions are to give students a good education, the institutions themselves need funds. The idea that has been xpresse dof using the administrative allowance for this purpose may be an approach to a resolution of that question.

Turning to the specific programs, I found widespread agreement that the maximum ought to be increased rather than decreased under the programs, and that the minimum should not be reduced from $200 to $100.

With respect to the BEOG, the fundamental problem is the rationale the BEOG granted itself. The $1400 figure, I think, is recognized as being a fairly arbitrary level.

I have found general agreement that the deletion of family assets from the formula determining the family contribution is a sound idea.

I found from a number of campuses that it is possible to take assets into account on the campus in a realistic way that does not generate the anomalies and rigidities that you get when family assets are written into a national formula. I think this argues for an element of flexibility on the campus, as far as taking assets into account is concerned.

I found wide agreement but not unanimity, for the elimination of the half-cost provision. Those who oppose the removal point out the rapidly worsening financial situation, the removal of the half-that in the absence of measures to assist private education to meet cost limitation will tend to shift enrollment from private to public institutions and further endanger the financial status of a substantial number of institutions.

This raises the point that the bill, in a laudable effort to encourage low tuition, does not contain measures designed to assist private institutions. The design of a plan to give aid to the private institutions involves complex and controversial issues and it would seem to us that a comprehensive look at student aid almost forces consideration of the total structure for Federal aid to postsecondary education.

So far as SEOG's are concerned, I find widespread feeling that the existing program should be retained as a part of the program for the foreseeable future. There would be strong opposition to the elimination of the program at this time.

The fact that the SEOG program as it exists provides a means for local adjustment for the needs of individual students, as in the case of the asset question, remains an essential reason for the retention of the program at this time.

I would like to comment a little later on the merit fellowship program, if I might. As one interesting preliminary reaction to this proposal, I find that the universities at which a high proportion of those Federal merit scholarship winners would enroll would not endorse a program of this sort until a lot more thought has been given to a number of basic questions.

With respect to the proposed changes in the SSIG program, some universities, I found, did prefer to extend the program as it is, as a fellowship program, and not extend the use to other programs within the State. They feel that the SSIG proven to be a productive program, and thtt it should be retained as is. They also point out that new programs are always difficult to initiate. They would prefer simply to expand the authorization and have a Federal program for aid to State scholarship programs.

Others, who appear to be in a minority, favor broadening the purposes for which the States could use the Federal grant on the principal embodied in H.R. 3471.

The questions that have been raised about the purposes for which the SSIG funds could be spent under the bill as it is written seem fairly cogent. For example, it is not clear to many people that facilities expansion should be a priority area, given the existing capacity and the enrollment outlook.

There may be matters within the States other than those listed in the bill that are worthy of consideration through a Federal matching grant program. For example the State grant system on a large scale such as proposed in the bill might serve to encourage the important movement in the States toward aid to private institutions which wish to retain low tuition. Federal matching grants to encourage the States to develop their own individual plans for aid to private institutions could be very influential.

On a technical point, I feel there are some problems with the maintenance effort provision in the bill. I will not go into those.

Under special service programs, the TRIO programs, I find general approval of the idea of extending coverage to veterans and considering as disadvantaged students, who have difficulties with

English. The approval in principle is tempered by the reality that the $125 million authorization may not be adequate to cover these additional groups without cutting back on the services now available to those who are eligible.

Turning to the proposed changes in the student loan program, I find onambiguous and unanimous, strongly held views by representatives of the universities that the law should continue to permit institutions to be lenders under the FISL program but this should be extended only to institutions which meet strict statutory criteria. Charles Saunders presented ACE testimony to this effect and others will present the case for this in greater detail.

The general principle that less reliance of students on loans is sound is generally acceptable in principle.

However, I heard warnings from a number of universities that this is best accomplished not by setting ceilings on the total amount of Federal loans, but by providing a sensible and well financed grant and work-study program.

With respect to all of the complex issues involved in the loan program, this is one area in which I am certainly not expert.

However, I have found widespread convictions that the committee would be well advised to pay careful attention to the alternatives provided by the Carnegie Commission and the National Association of Student Financial Aid, Administrators and to those being developed by the Consortium on Higher Education.

On work-study, I have heard nothing but concurrence with the terms of the bill relating to the work-study programs, with two reservations. These are that the authorization level is too low to meet existing and future needs, and it is probably premature—for reasons I suggested—to eliminate preference for students in greater financial need.

I found general concurrence with the payment of the minimum wage to students. Arguments against paying below the minimum wage seem to be the same as those advanced back in 1910 in the days of John R. Commons. All of the standard arguments against payment of any minimum wage whatever have been advanced to justify payment of less than the minimum wage to students. In short, I think there is no reason at all in equity and logic to not apply the minimum wage to students.

You have had testimony on the institutional reimbursement for the cost of administering student aid programs. Experience has shown that BEOG's cost money to administer, and that the BEOG's should be counted in the base for cost reimbursement.

This simple approach to the costs generated by student aid programs, including outreach programs, tutoring for minorities and special courses, might be an acceptable way to meet the institutional costs that are inevitably involved in a large program this for disadvantaged students.

With respect to NIE, the bill prescribed certain priority tasks. Without commenting on the urgency of those tasks, I have heard some comments that it is not desirable to write detailed program priorities into law.

It might be possible to have NIE work on questions that the committee sees as first priority without writing into legislation what appear to be the highest items on the agenda for this year.

In concluding, I would like to make some remarks about the concept of the Federal fellowship program as prosposed in the bill.

This is an attractive idea. In principle, the Nation ought to insure that the most intelligent young people are able to develop their talents to the fullest in the interest of the Nation.

There is a substantial symbolic recognition when the brightest young students are singled out for national recognition.

I believe myself there has been some swing away from the principle of recognizing merit.

However there are problems of equity. What weight ought to be given to the allegation which is probably true that there is a cultural bias built into the existing test?

If they are biased how serious a deficiency is this if the rule is serve persons with clear exceptional, intellectual ability? We look not to insure a quality of access and a general floor of access but to look on this not as a technical testing matter but as a question of the essential purpose of the legislation.

On another point the relative emphasis on need and merit as criteria of eligibility is a problem that has to be decided in connection with all scholarship programs.

Merit alone is the criterion under many programs. But one can go in another direction and award scholarships to the most meritorious provided that they are also the most needy. That is the position taken in the bill.

However, this limitation of eligibility to those eligible for a BEOG raises another question of basic purpose. For example assume that the purpose is to insure that all of the academically most talented persons should be barred by lack of money from the institutions that can help them develop their talents most effectively.

If that is the purpose, the bill then seems somewhat deficient because there would be many students with outstanding academic ability who would not be eligible for BEOG and for a scholarship because family income is a few dollars or a few thousand over the cutoff.

Tens of thousands of very bright students will fall above the eligibility level for BEOG, and they are clearly not able to afford the money for the institutions which would do them the most good.

The generous full fellowship for those who are eligible for a BEOG but not even the basic grant for those who fall just above the BEOG eligibility cutoff generates an anomaly that can probably be taken care of through careful revision of the eligibility provisions now in the bill.

This mixture of merit and need in fellowship programs is a notoriously tricky problem to solve, but I dare say it could be worked out.

Then there are problems that have been raisd with me about the size of the program. The bill would provide 50,000 to 100,000 scholarships, depending on whether the average scholarship is close to 2,000 or 4,000 per student per year; it would be in that order of magnitude.

That would mean new awards of about $12,000 to $25,000 a year.

We raise the question whether $200 million scholarship program is in reasonable scale with the basic BEOG program that is authorized only for $600 million. The scholarship program would absorb one-third as much as the basic BEOG program. That seems to be relatively too large. We have to bear in mind, as other witnesses have said, that each merit scholarship would finance five to seven BEOG awards.

The maximum grant of the bill is written, as I understand, to cover all expenses associated with the student's education. However, in doing so, it would ignore other resources. Any student could receive a State scholarship, outside award, GI bill and so on. Therefore, the student could receive total benefits in excess of this total educational costs. Total cost limitations could be written into the bill to take care of that problem.

Given the attractiveness of the general principle of merit scholarships but also the clear difficulties that appear when an effort is made to make a specific proposal, there are at least two courses or possible options.

One is to put a study provision in the bill requiring a report to Congress on the merit scholarship program within any given period. That has the advantage of requiring a very thorough and competent review of the kinds of questions that I have raised. It has the disadvantage of postponing the action.

The second alternative is setting up a scholarship program on a small scale in an experimental mode so that some of the problems I have mentioned and others could be studied.

Both courses might be followed—a small experimental program and a simultaneous study.

I mention these alternatives simply because of my interest in pursuing this and trying to work out some way of designing a good program.

That is all I have to say, Mr. Chairman. All of these comments on the bill are made with a sense of appreciation for the presentation of a concrete proposal to work with and the sense of eagerness to work with the committee and the staff on the perfection of the bill.

Thank you.

Mr. O'HARA. Thank you, Mr. Kidd, for a very thoughtful statement and also for your contributions to this new concept of a scholarship that is based both on need and merit.

There are a couple of things that have bothered me about the way the program operates.

One of them is that under our program, no one gets enough money to go to school. That is about the size of it.

The way BOG is set up with the 50 percent of cost limit, we sort of leave everybody short and that is what creates the need for packaging.

So one approach I take to that is to permit 100 percent of cost. Maybe if a perspective student was fortunate enough to live within walking distance of a free community college in the State of California, maybe that student could just about make it to school, on your BOG grant.

However, that is one of the things that has been bothering me. The other thing that has been bothering me is that there is a tremendous unmet need, no matter how you look at it, and the Office of Education's reaction to this CSS family contribution schedule demonstrates the sensitivity that we have to that point.

There is just a fantastic unmet need for assistance to students.

The question is sort of like the one on the draft that we had during the conflict in Indochina. If you are not going to take everybody, how do you choose who you are going to take?

That was the great equity problem of that confrontation, unlike World War II where you were taking everybody.

If you are not going to be giving everybody the amount of help they need, how do you determine if it should be that none of them should get the amount of help that they need, should you give some of them the amount of help they actually need?

If you cannot give all of them the amount of help they actually need, if you are only going to give some of them the amount of help they actually need, how do you determine which ones?

So you can be taking a couple of approaches to the problem. I guess the way to answer it is to have enough money so that we can provide every would-be student with all of the help they need.

However, I just do not see that right around the corner.

Mr. Kidd. No, we are not going to have that amount of money and we are going to have to continue to face this really insolvable problem of dividing up an inadequate amount of money to achieve the maximum purpose.

I feel quite confident in my own mind on one aspect of this problem. That is, I do not think it would result in the maximum good for the maximum number to provide a $200 million merit scholarship program in the face of a BOG program that is only $600 million.

Mr. O'Hara. Of course one thing, in effect what we are doing is helping some BOG recipients more than others because they are all BOG recipients, they are all qualified for BOG.

You think there might be some more proportion built into any sort of approach you might use?

Mr. Kidd. Yes. Personally I would not like to see eligibility for national merit scholarship confined to those eligible for BOG, because of the problem I mentioned. This is particularly important when the principle is that you want them to go where they can get the best education in their terms. That is likely in a high proportion of the cases to be a high cost institution, and there are many very bright students, above the BOG eligibility level who can not afford the college or university that is best for them.

Mr. O'Hara. Mr. Kidd, I am going to impose on you by consulting with you further as we go ahead with this bill.

I know you have always been generous with your time before.

Mr. Kidd. I would appreciate the opportunity, Mr. Chairman.

Mr. O'Hara. Now I am going to move on because we have another witness. I am going to recognize my ranking minority member, the gentleman from Pennsylvania.

Mr. Eshleman. I only have one question, Mr. Chairman, but before that, I would like to get something into the record, maybe my math was too hasty here, I do not know.

Under full funding, I see SEOG at $1,000. That would get us 50,000 full-time students into school.

Presently under partial help, we have 300,000 students in school with about the same amount of money.

The question I have for Mr. Kidd is hopefully we are going to restructure student aid before the year is over.

Where would your organization like to see the primary administration of student aid, in the Office of Education, in the States or in the institutions?

Mr. Kidd. I cannot give you a firm position of this association. I can give you my guess as to where they would stand. They would prefer to see a substantial element of local administration under the aid program.

Mr. Eshleman. That is the only question I had.

Mr. O'Hara. Thank you very much, Mr. Eshleman. The gentleman from Indiana?

Mr. Brademas. Thank you, Mr. Chairman. Thank you, Mr. Kidd.

Your statement obviously reflects a great deal of thought and care. I just have a couple of questions.

You have indicated your reservations about moving toward reliability solely on the further provision of merit for the provisions of assistance as distinguished from need.

Yesterday, I believe I am right in saying, the representatives of the national student association made the point generally that students who we shall say are academically first class really have little difficulty in getting assistance because they can get assistance normally from their institutions or from some other financial sources.

Can you comment on that observation and therefore, is there really any point in bringing in merit through any significant degree with need?

Mr. Kidd. There are institutional funds available on a merit basis and that is why I said earlier that I thought $200 million was high initially. A program of this sort, if initiated, ought to be initiated on a small scale.

However, almost every institution faces a difficult problem with its total student aid with its own funds because of the expectations that have been raised and the financial load that is imposed upon institutions in part by the nature of the Federal student aid provisions. Increased student aid expenditures from institutional funds is a major source of financial difficulty for many institutions.

I would say that there is not adequate money now institutionally both to have a well designed, well administered, well financed institutional student need program and a merit scholarship program at the same time.

I do see a place for a carefully designed Federal merit scholarship program.

Mr. Brademas. I understand, by the way, just to make clear the basis of my question, that the testimony yesterday to which I referred had to do with national merit scholars.

My only other question, Mr. Chairman, is this—there are two other quick questions.

I thought you suggested, Mr. Kidd, that we ought to move away from loans to the extent possible but at the same time, you were expressing some sympathy for the Carnegie Council recommendation for a national student loan bank of some kind.

Could you resolve that apparent anomaly?

Mr. Kidd. I would say there ought to be some caution in moving away from loans now simply because the ability to take out a loan is a boon and not a handicap for many students. The grant programs should be strengthened as the basic means of reducing reliance on loans.

Mr. Brademas. I know the time is short. I will just confine my questions to two others.

What do you say to the question I put to Mr. Huitt about the apparent silence, relative silence, of American university administrators in reference to funds for the general institutional aid program?

Mr. Kidd. I worked very closely with Ralph on this question. General cost of education payments remain a matter of high priority and it has not been for lacking of trying in the Appropriations Committees that we have not had an appropriation for this bill.

I am beginning to think that it might just be the basic approach to it. That has been the problem.

Mr. Brademas. Your basic approach or the basic approach represented by the statute?

Mr. Kidd. The basic approach represented by the statute.

Mr. Brademas. I am always worried about prophecies. As I said, I specifically assert I have not heard—I do not know, maybe a year from an American college president in support of that program.

I am no longer on the Appropriations Committee but I am interested in the program. That tells me something.

Mr. Kidd. I am amazed at that.

Mr. Brademas. This is not the place for me to sermonize on that subject but what do you have finally to say to the other question I put to Mr. Huitt about the situation with respect to the BOG's moneys that have been made available by Congress but the Office of Education has apparently not been handling very appropriately?

Mr. Kidd. I really would not know how to apportion out responsibility between OE administrative capacity and the inherent nature of the program on the campuses.

I am sorry I cannot be more helpful.

Mr. Brademas. Thank you, sir.

Mr. O'Hara. The gentleman from Minnesota?

Mr. Quie. Mr. Kidd, do you think the education at the lowest priced institution is adequate for all students?

Mr. Kidd. No, I do not. Education is a basic right that ought to be available to all, and for many this must be in lowest cost institutions. But certainly a strength of our system of postsecondary education in this country is its diversity.

I do not think that is an empty phrase. To have a fully developed citizenry equipped with all of the skills and the knowledge that it takes to have this country prosper, it has to have a structure for secondary education that includes all sorts of institutions.

Mr. Quie. I assume that you feel the institution that you represent have some advantages for some students that would not be available to the lowest priced institution?

Mr. KIDD. Yes, and this is a question of not better or worse but different. There are some students who can benefit from a very rigorous academic environment that prepares them for professional training of all kinds of the highest quality.

There are other students whose needs and aspirations can be met only by a 2-year institution or 4-year college. There are others who need liberal arts colleges. So I do not think we should envision a structure of postsecondary education which does not cater to all of the needs of the country and all of the needs of students.

Mr. QUIE. You also said there were some private institutions that have some education programs that are most desirable for some students, again, not better but different?

Mr. KIDD. Yes, not better but different. As I said, a really tough question that is not adequately addressed in the bill is this thorny one of public support for private institutions.

Mr. BIAGGI. Could I bring out that point?

Mr. QUIE. Yes.

Mr. BIAGGI. You said not better, but different. By different would you concede that some private institutions have in fact better programs?

Mr. KIDD. Better as defined in terms of the type of student and the type of program that particular student needs. Not better in any inherent sense.

Mr. BIAGGI. Thank you.

Mr. QUIE. Do you think we, as Congress setting policy for the Government ought to concern ourselves about enabling students to attend all of the various kinds of institutions or just the lowest priced?

Mr. KIDD. Yes, I do believe that for the reasons that I indicated. That is, each of these types of institutions has something, a unique element to offer that should be offered in the interest of the student and the interest of the Nation.

It does not mean that Congress ought to do something about each of those but it seems to me that the whole structure ought to be considered and a definite decision made to enter or not enter into some area.

For example, take the question of aid to the private institutions. Aid must come from governmental sources or a large number of them that ought to survive will not survive.

The complex question of governmental aid to private institutions has turned out to be best resolved in the States by devices that the States, State by State, find most congenial, politically acceptable and effective.

However, that should not rule out, in my mind, serious considerations of some sort of Federal matching grant to help that movement along.

Mr. QUIE. In the GI bill, we provided the uniform amount for every student. We find that the largest proportion of GI's go to the lowest priced institutions.

The reason we put in the one-half of costs in the BEOG was that we were trying to adjust ourselves to the policy of enabling students to go to the institution which will most greatly meet their needs, just like elementary and secondary schools for some students cost much more for them to have equal educational opportunities than for others.

However, if you recommend—do you recommend we drop the one-half of cost in there?

Mr. Kidd. It seems to me the best way to approach that problem is to pay full cost and adapt supplementary measures to meet the problem which that generates for private institutions.

Mr. Quie. Yet you still have the problem of some students getting virtually the total cost paid for by the Federal Government and not to others similar to what we have in the GI bill which attracts the people to the lower priced institutions.

Let me ask you also about loans. Do any of your institutions have a loan program where they use GSL themselves?

Mr. Kidd. Yes, certainly.

Mr. Crowley. A number of them have.

Mr. Quie. We have a situation where banks are lenders, States are lenders, institutions are lenders. How do you feel about the proposal that the institutions will not be lenders?

Mr. Kidd. The rationale I have gotten from a large number of universities is that they must have the capacity right now, because if they could not be lenders many students would have difficulty getting loans from the banks.

Accordingly, they feel quite vehemently that they have got to remain lenders and at the same time recognizing that there ought to be strict conditions put down in law that would regulate the conditions they must meet in order to be lenders.

Mr. Quie. How do you feel if we subsidized loans available through the national direct student loan programs and didn't subsidize the guaranteed loans programs?

Mr. Kidd. I do not have an opinion on that.

Mr. Quie. Another comment I would make is that you raised the point that New York, Pennsylvania, and Illinois in fact were in the program early so SSIG does not match all of the money.

Is it 53 percent of the money, did you say?

Mr. Kidd. Yes.

Mr. Quie. Available through those States. Our interest is to make money available to more and more students rather than to help States.

Is not this similar to where the States under the highway program who had a system to toll roads tried to get the Federal Government to pick up their loans?

Mr. Kidd. If grants are made in Pennsylvania, presumably Pennsylvania would be induced to expand its loan program.

Mr. Quie. Now they are induced to expand but you are suggesting to a transfer of money, the Federal Government replacing the State money?

that we pick up some of the State money, which would only amount

Mr. Kidd. It just seems basically inequitable to me that the States which have made the greatest effort, at least as I read the maintenance provisions, are penalized. It appears basically inequitable to make them ineligible for public help.

Mr. QUIE. It is like any new program, where buildings have already been constructed and officials say "give us a chunk of that money."

In reality whenever the Federal Government starts a program no one who has even started to shovel dirt for a new building can benefit from the new public program.

The other question I had was that you suggested everybody pay the minimum wage rather than subminimum. How would that increase the cost of college work-study programs?

Mr. KIDD. I do not know but we can work out some estimates and give that to the committee.

Mr. QUIE. I heard from the institutions how many students they would be denying employment if they had to increase the minimum wage.

Mr. KIDD. Of course, that is the basic question, whether you want to make that tradeoff.

Mr. QUIE. Give the students more money or more students have less money. Thank you very much.

Mr. KIDD. We would be happy to supply that for the record.

Mr. QUIE. Thank you.

Mr. O'HARA. The gentleman from New York?

Mr. BIAGGI. Thank you, Mr. Kidd, for your most valuable contribution. I would like to pursue but in light of the time factor, I will not.

I would like if you would bear in mind my concern for the philosophy that students should not be relegated to those institutions in which the student finds himself almost as a common denominator rather than being afforded the opportunity to go to better schools.

With that thought in mind, the notion of Federal matching which we offer is one thing, but I would like to confine it to that.

I am sure your dialogue with the chairman which I will try to maintain with him will help us to resolve this equitably.

There is one question. You point out there is almost a disperate proportion between the merit scholarships and the basic BOG from $600 million to $200 million.

Is it not possible that could be construed ultimately depending upon the guidelines, of course, as just another method to supplement the BOG, advance rather than have it in fact be merit awards?

Mr. KIDD. Yes, it could. In the program, when you have $200 million on top of $600 million, it could be the bright poor kids against the not so bright poor kids because you knock out seven poor kids who are not so bright for every bright one you subsidize at this level.

Mr. BIAGGI. My understanding is that $200 million would be over and above, if I am correct. The $200 million merit awards would be for performance of the BOG students?

Mr. KIDD. They would first have to be eligible for BOG, establish eligibility. Then on the basis of some sort of test, they would then be given some sort of scholarship.

Mr. BIAGGI. In the light of practical application, would it not follow that the people who would make the determination would have that $200 million to distribute among your recipients of the $600 million and would find a way to justify the apportionment of scholarship among them, the merit scholarship, mind you, which then loses in fact its significance?

V.I.P., is that a fair translation of your presentation.

Mr. **Kidd.** It would be a total of $800 million authorized, $600 plus $200.

Mr. **Biaggi.** Thank you.

Mr. **O'Hara.** Thank you again, Mr. Kidd. We appreciate your being of assistance to use one more time.

Mr. **Kidd.** Thank you.

Mr. **O'Hara.** Our final witness this morning, representing the Association of American Colleges and the National Council of Independent Colleges and Universities is president John D. Moseley of Austin College, Sherman, Tex., who is chairman of the Association of American Colleges.

President Moseley, would you please take your place at the witness table?

President Moseley, we will be pleased to hear from you.

STATEMENT OF PRESIDENT JOHN D. MOSELEY, AUSTIN COLLEGE, SHERMAN, TEX., AND CHAIRMAN OF THE ASSOCIATION OF AMERICAN COLLEGES IN BEHALF OF THE ASSOCIATION OF AMERICAN COLLEGES AND THE NATIONAL COUNCIL OF INDEPENDENT COLLEGES AND UNIVERSITIES

Mr. **Moseley.** Thank you for the opportunity to testify on H.R. 3471 which proposed to rewrite title IV, the student assistance sections, of the Higher Education Act of 1965 as amended.

I am John D. Moseley, president of Austin College, Sherman, Tex. and currently chairman of the Association of American Colleges, an organization of approximately 750 undergraduate institutions, both public and private, whose concerns relate primarily to liberal arts education.

This association affiliates and funds the National Council of Independent Colleges and Universities which in turn has 27 State associations of independent colleges and universities.

I intend to attempt to speak for the independent colleges and universities of these organizations which number slightly more than 1,000 institutions.

I have with me Mr. Howard Holcomb, director of federal relations for the Association of American Colleges and National Council of Independent Colleges and Universities.

In all candor, we believe the enactment of H.R. 3471 as introduced would have a devastating effect on students generally and on private higher education in particular.

We believe further that H.R. 3471 actually obstructs our nation's present public policy, a policy which recognizes a dual system of higher education and provides choices of attendance by students within that dual system.

While we disagree, Mr. Chairman, with your intent, we commend you for four frankness when you spoke in behalf of your bill in the House of Representatives on February 20 of this year and said:

> I propose this measure quite openly as one way to utilize the leverage of Federal student aid in such a way as to encourage the creation and utilization of low-cost educational opportunities.

It would have been more correct to refer to low-price rather than low cost educational opportunities in so far as the creation and utilization of those kinds of institutions could be encouraged through Federal intervention.

The actual cost of education is essentially the same in both public and private sectors and reflects the influences of economic conditions prevailing at the time.

The only difference in this regard between public and private education is who pays for it and in what proportion.

Permit me to review the sections of the bill in an attempt to demonstrate our grave concern.

The bill proposes a profund change in longstanding public policy in its implications for both students and private colleges.

At the outset the bill would: (1). Eliminate the ceiling which provides that the basic grants cannot exceed one-half the actual cost of attendance where the student is enrolled and (2), reduce the amount of the authorized maximum grant of $1,400 to the actual ceiling of the 1975–76 school year—$800, probably $1,000.

In your statement of February 20, you indicated this change would have relatively little meaning for the student attending a high-price school away from home but it would "***make it possible for the student who lives at home and commutes to a public, low-tuition institution to get a grant for meeting his whole out-of-pocket cost."

If public policy toward higher education in recent decades were to be maintained, the maximum award would instead need to be increased to reflect inflation and to ensure that the student would continue to have some choice.

We believe the proposed change which would provide the entire out-of-pocket "cost" for some students at some institutions is deficient in several aspects.

First, it automatically creates a preferred class of students at a preferred class of institutions—preferred in the sense that the Federal Government will pay the entire price for some students at some institutions.

Most of middle income America would be ineligible for any benefit, however small.

These are the families who hopefully are still employed and who provide the bulk of tax revenues to support the entire range of government programs.

Second, the proposed change which would provide the entire out-of-pocket "cost" to some students ignores the wide range of complementary programs of assistance from which the student can now obtain, at least in part, the half of his expenses not covered by the basic grant: state scholarship and grant programs, almost one-half billion dollars of support from the institutions' own resources, the Federal campus-based programs, other loan and work opportunities, plus many private sources.

Third, student choice is restricted by an inflexible ceiling which does not consider regional, state or institutional differences in pricing policy.

We believe there may be an analogy here with the way veterans' benefits have been provided since World War II.

The original bill provided an amount of support which covered the tuition charged wherever the veteran enrolled, and veterans with this choice open to them distributed themselves almost evenly among private and public institutions.

Current veterans' benefits are restricted to a ceiling for education —not reflecting variable charges to the veteran by different public or private institutions—and less than 15 percent of veterans are now able to attend private institutions.

A College Entrance Examination Board memo of February 21, 1975, indicates that the impact of H.R. 3471 by institutional type would be that public institutions, particularly public 2-year schools, would gain relatively 21 percent, mainly because of the elimination of the half of cost feature.

That plus 21 percent indicates the way in which the dolars were estimated and would increase for those public 2-year colleges.

We are troubled also by the absence of any official data from the U.S. Office of Education concerning the actual experience of the basic grant program in its first years of operation.

This information, were it available, would be very helpful in assessing the program.

We respectfully urge the committee to secure complete and official data from the U.S. Office of Education before marking up this bill.

We also respectfully request an opportunity to review them with you.

This appears necessary because there are many other proposals being suggested to change the BOG's.

Some of them would tie the grants to maintenance or noninstructional costs, which would again have the effect of not considering price either within the public system or between the public and private institutions.

It would seem apparent that we would all benefit from knowing precisely what the experience has been in the first years before making serious suggestions for changing the present program.

We suggest the committee consider permitting States to contract for the administration of the BOG's without otherwise changing the program.

In this way, the State could receive one application form for both BOG's and any State programs, determine eligibility for the BOG, assign State student incentive financial assistance to help meet the other one-half and forward the determinations to the campuses involved.

This system could correct overawarding which now takes place when the State must make an award of its funds without benefit of knowing what has been determined by the BOG.

We would also, in this process, achieve another constituency for the basic grant program.

We appreciate the concern that H.R. 3471 shows toward the treatment of assets. Initially this program was administered with too harsh an expectation from assets.

Care must be taken, however, so that this proposed change does not result in a drain from available funds for the very poor and disadvantaged.

We appreciate also the threshold provisions for other campus-based programs which the bill requires.

We strongly urge the retention of the supplemental educational opportunity grant program essentially as it now stands in the statute.

We also strongly support your concept of a merit award. But we believe the two must be distinct and separate programs.

The SEOG program helps to provide the other one-half of matching the basic grant program, assists those needy students who do not receive BOG's and, in effect, helps increase the choice for the student.

Tying the SEOG's to the BOG's not only make those programs preferential but also potentially "elitist" as some persons have viewed them.

Outstanding students of great financial need perhaps should, as a matter of public policy, be encouraged financially to attend the institution of their choice, more than likely one of the outstanding universities of this Nation.

But the question cries out for answer, as it does under the BOG proposal: Why should one class of student receive the award for the whole cost while someone with only $100 or $200 more in income gets nothing?

And how are these students to be chosen, given the state of measurement of individual differences today?

And, what happens to the other 250,000 students who are receiving SEOG's under the current program?

The proposal for SEOG's under H.R. 3471 might theoretically help a part of the private sector, but practically only a handful of institutions would benefit.

A substantial number of outstanding secondary school graduates achieve distinguished records in a wide range of small, private institutions and go on to further high distinction in this Nation's life.

A fairly large number of average students attending average institutions have also made notable contributions to this Nation.

Under the proposed bill neither group would be assured of any assistance, however small.

We strongly urge also the retention of the State student incentive grant program essentially as it now stands in the statute.

This is a relatively new program which has not yet grown to maturity and therefore should not be encumbered by additional variations on the principle of State-Federal partnership.

Only 27 States operated programs of student aid when the Education Amendments of 1972 were enacted but now 54 States and territories have indicated an interest in the utilization of these Federal funds in 1975.

Their own State contributions to grant aid for students now amount to over $450 million annually.

We commend H.R. 3471 for suggesting a State work study program, with Federal participation on matching basis, but urge that it be considered as a separate program which would then not dilute the effect of the present SSIG.

Likewise, we believe any Federal interest, if one does indeed exist, to influence State tuition pricing mechanisms through incentives for zero-tuition public institutions would be more appropriately dealt with under the rubric of institutional aid.

The chairman has stated many times that, in his opinion, the best student aid is low tuition.

If that indeed be the case, and if the actual cost of education is not to be transferred in large part to the student through tuition charged, then it can be met only by State aid to institutions.

In this regard, State legislatures are making heroic efforts to keep pace with inflation yet hold down tuitions as much as possible.

In the private sector we are buffeted by the same inflationary forces and governmental policies which escalate our costs except that our relief, if it can be called that, comes from private contributions, from adequate need-based student aid programs which recognize pricing mechanisms, and from a public policy which insists on a dual system of higher education.

At this point, it may be appropriate for me to comment briefly on the proposal to distribute funds to the States by the effort index contained in the bill.

We have reviewed one of the earlier proposals from the same source, with its alternate models, to fund the States according to this effort index.

We were struck by the widely varying results, depending upon how tuition income is treated.

In one model one of the States ranked first but in another it ranked 51st; in the first instance tuition was not included in the equation but in the other it was included, but as a minus factor.

Any effort index which places direct reliance on pricing mechanisms with such disparate results may have many shortcomings as a base for establishing a new public policy.

On another point, we would urge the committee to consider making portable that portion of Federal funds alloted to States.

As it is, only three or four States award scholarships which may be taken to other States.

We build in parochialism if we inadvertently establish public policy which discourages those students from migrating who would otherwise choose to do so for their own reasons.

The Federal Government cannot perhaps require States to provide this option with their own money but it could encourage States to permit it with the Federal portion.

We would suggest also the committee consider some appropriate language which would permit bypasses for this program in those few States which do not make State student incentive grant programs available to either the public or private sectors.

We support the continued authorization of the special programs for the disadvantaged or TRIO program.

And not solely because we feel the addition of a fourth program, veterans' cost of instruction, would invalidate the familiar title but also because we believe in this instance it could be more appropriately handled by another committee—the Veterans' Affairs Committee—do we respectfully suggest its deletion.

Further, it is our understanding that the Veterans' Affairs Committee and the Congress have recently put in place a "vet rep on campus" program to help veterans with their concerns.

For this reason, the VCOI program may no longer be required to be in this act.

We regret that in testifying on this bill we are unable to discuss any type of program which supports institutions as such.

Public institutions, for example, if not subsidized to the extent they are now, would be faced with charging much higher tuitions.

Our association, in January 1974, went on record as believing that raising public tuitions was not an acceptable method for helping private institutions.

We do, however, need some type of tuition offset to reduce the difference in prices between the public and private sectors.

In January the report of our task force on the financing of private higher education called for such a program of tuition offsets.

Only last week, the Carnegie Council on policy studies in higher education called for the same approach.

We anticipate with appreciation the opportunity to testify before you on this topic at a later date. We realize the interrelated work of this important issue.

Student loan programs authorized by the Higher Education Act are the most significant form of student aid as measured by both numbers of students and amounts of dollars.

Any diminution of the opportunities offered by these programs would almost certainly inhibit the numbers of students who would enter postsecondary education.

Just as institutions themselves are a part of the economy in which they operate, so students as consumers borrow money for an education as other citizens would borrow for most other major investments.

We recognize the desire of the chairman to discontinue the direct Federal insurance program and we do hope the 26 States involved will pick up the slack created and initiate State guarantee agencies.

We would urge, however, continuation of the eligibility of institutions as lenders since a significant number of them draw national student bodies.

We urge also very serious consideration of all factors before reducing drastically the limits on individual loan amounts.

We strongly recommend the continuation of capital contributions to the national direct student loan program.

One of the long run methods for the solution of adequate loan resources is the continued expansion of the revolving fund related to the NDSL's.

This program is also a very important ingredient in filling out a student aid package, one that begins with other campus-based assistance, State scholarships and the basic grants.

We are confident the committee will utilize, as it has done through extensive hearings thus far, the advice of appropriate experts in finance and will produce a more efficient utilization of Federal funds.

The overall problem of loans is so complex as almost to merit a separate bill, particularly if the entire student aid package or omnibus bill is not ready for final passage until next year.

We strongly support the increased emphasis in H.R. 3471 on work-study. We like the concept of encouraging States to initiate such programs; we object only to combining it with the State student incentive program, thereby lessening the thrust of that legislation.

Work-study as a State-Federal partnership has sufficient merit to stand on its own appeal.

The committee may wish to reconsider the matter of dropping need altogether as a requirement for awards.

Some protection must be given, in the inevitable underfunding of any program, for those in great need.

Perhaps this decision relating to need could be left with the financial aid administrator on the campus.

Indeed, the ranking minority member of the full committee has suggested the possibility of giving funds to the institutions in a block grant for the three campus-based programs, leaving the distribution of funds by individual program up to the institution.

Thus, in the work-study program the use of need as a factor would reside also with the institution.

Mr. Chairman, immediately after receiving the February 20 copy of the Congressional Record we circulated without comment copies of your statement on the Student Financial Aid Act of 1975.

An executive of one of our State associations wrote to his member institutions as follows:

> The two documents attached contain the introduction of, and remarks upon, the proposals of Congressman James O'Hara to rewrite the Higher Education Act of 19742.
>
> On top of all our other student aid woes of the moment, these documents appear to provide a Federal blueprint for the elimination of the independent sector.
>
> We urgently request that you read through them. Mr. O'Hara is proposing "pile Pelion on Ossa."
>
> Among other things, the bill would eliminate the half cost ceiling on basic grants, phase out direct student loans, remove work study from the aid package, and eliminate SEOG's.
>
> And if this implies that middle-income families at independent institutions will have to rely more on guaranteed loans, the proposal cuts the yearly ceiling from $2,500 to $1,500.
>
> In effect, you will not be able to help these students to attend your institution and they will find it increasingly difficult to help themselves.
>
> The thrust of the bill is to coerce States to lower public tuition, for example, State student incentive grants are modified to reward States for maintaining tuition-free public institutions.
>
> The operating principle involves an inverse logic that says, "more aid dollars create higher tuitions; therefore, if we make fewer aid dollars available, colleges will have to lower the price."
>
> Perhaps that can work in the public sector through even greater subsidies, but its application to the independent sector would be laughable were it not so serious.
>
> In isolation, certain features of the proposal have merit, but in combination, the result could be devastating.

Mr. Chairman, we regard with gravest concern the thrust of H.R. 3471 and the new directions it would establish as a matter of public policy.

We ask relief through a change in emphasis. Thank you.

Mr. Chairman, if I can make just a personal comment. At an earlier point in my career, I served as a staff person to the legislative processes in my home State.

I realize something of the problem that you have. We have a real difficulty, it seems to me, in the private sector of getting some communication on this.

We have some outstanding people who are vigorous in their proclamations, all the way from John Silber who does a pretty good job of it to the Sidney Rand's.

There are some people who are very concerned with the assumption—Ralph Huitt, Mr. Kidd, and others here—of the nature of the dual system.

What we are trying to do is provide the kind of pluralism and diversity for the Nation and for the higher education system. I realize that when we get busy and zero in on some of these technical problems and get to working on certain techniques, sometimes we do not test those against the broader system of issues.

I hope the committee will do this because sometimes in our enthusiasm, without meaning to, we undercut some thing that we really do not intend to do.

We want to hold ourselves ready to assist you and this very fine process you are trying to perfect in this bill.

We tried to be as specific and vigorous in terms of our concern as we could, and we are ready to assist you in this process.

Mr. O'Hara. Thank you very much, Mr. Moseley. I appreciate your readiness to be of help and I am sure that your association will indeed be of help.

Your associate, Mr. Holcomb, has been of help already during much of our work on this bill and I am sure he stands ready to do so in the future.

I am going to yield first to the members of the subcommittee beause I am afraid that shortly thoce bells are going to ring for a quorum or for a vote and then we are going to have to go.

If anyone gets shortchanged, it is better it be me, so I will begin by yielding to the ranking minority Member, the gentleman from Pennsylvania.

Mr. Eshleman. I am going to cut my questions very short. In fact I will not ask any questions of Dr. Moseley. Philosophically, I am in 90 percent agreement.

I see Mr. Huitt and Mr. Holcomb still in the room. I would like to make a request that your two organizations make a list of a cross section of 10 institutions across the country, ranging from large to small.

I would like two figures, and not a lot of footnotes. I hope you will excuse that remark, but just two figures for 1973–74 school year.

I assume those figures are in. I want the total undergraduate instructional cost, that is dollars, and then I want the total enrollment full time and part time of these same institutions.

I would like you to make up your list without consulting each other. If that is a reasonable request, I will make that.

I want to do my own mathematics in other words. That is all, Mr. Chairman.

Mr. O'Hara. The gentleman from New York.

Mr. Biaggi. Like the ranking minority Member, we have philosophical relationships. I am concerned about the private institutions.

I think some of my earlier questions indicated that. In addition, I have Fordham University right within my district and I have many other universities in the State that are generally concerned.

I have spoken to the chairman and he understands. I will continue that dialog.

The impression is that we are heading in the same direction with different vehicles. If that be the case, then this bill is satisfactory.

However, until I am satisfied that it is the case, in this area at least, it is unsatisfactory and I will try to amend it.

Mr. O'Hara. The gentleman from Minnesota.

Mr. Quie. It looks like all the people who were asking questions are now indicating a strong desire to maintain private institutions.

I guess my record on that is pretty strong, too. It was interesting in the 92d Congress when we began working on what turned out to be the Higher Education Amendments in 1972.

The subcommittee met in the chairperson's office and we all wrote down what our priorities were in the institutional vein.

It was interesting that everyone put down help for private institutions on the list as one of their priorities.

That concern is evidenced this morning and is speaking up for the chairman of the subcommittee, I do not think he is without support for the private institutions either.

He has a strong feeling they play a very important role.

There is only one question I would like to raise and that is the point on page 8 on work-study where you object to combining work-study with the State student incentive programs.

I thought that one part had merit to give the options to States to use their money under SSIG for either outright grant or part of the work-study program.

Mr. Moseley. I think our feeling was that by being discreet you already have some programs based on need and the States are not getting involved in that particular part of it.

However, by combining work-study with SSIG would confuse the way in which you would both administer and the way in which the States would deal with the work-study.

To keep those two separate would be preferable. I think there is no question that we are dealing with both.

I think that the point was more the discreet nature of the programs and letting them go one way or the other not mixing them.

Mr. Quie. Are you concerned about SSIG or are you concerned about having two work-study programs?

Mr. Moseley. In a sense—I was much more concerned with the SSIG in that you were really dealing with the character of the States. They could come on and try to help take care of the need of the student and keep that discreet from straight work-study as such.

There is a limit to how much work-study can be awarded in terms of the individual student. We do have some work-study coming another way.

I can see this might be combined with that. If you did, then you would have problems with States that would not just go work-study but would go just grant.

It is that which we see as a problem. The State could say, we will just go with the grant, the matching grant.

We could have some States press the Federal Government on the work-study, or, if you eliminated work-study on the Federal level and forced it the other way, you could end up with no work-study program.

So we are really saying to the committee, let us be careful how that is done. Our initial reaction to it is that it would be better to keep those two separate.

Mr. QUIE. How do you feel about putting flexibility into the three programs—the institution-administered programs, SSIG and the work-study so that schools can use the funds in one place or another?

Mr. MOSELEY. I think that would be much better. One of the things in answer to the question about the quality, is the administration of those programs.

It is very difficult and you cannot put it together without a lot of this other work.

Mr. QUIE. That was separate. If you support a block grant for those institutionally administered programs, I do not see why you do not favor this flexibility in the SSIG's.

Mr. MOSELEY. We said these are broader choices. We would like very much to see them tied together and if you are going to do it at the State level, fine.

However, with respect to these programs, being able to apply them separately was the whole idea.

As a matter of fact, it is a bit like using these programs at the campus level where that counselor can apply them in the proportion that will best benefit the particular individual.

The problem is taking that philosophy and applying it at the State level.

Mr. QUIE. Are you saying you want it to be made at the campus level and not State level?

Mr. MOSELEY. I personally would prefer it at the campus level but it looks like much of this would have to be done at the State level.

I would rather have it there, locked into BOG's.

Mr. O'HARA. Mr. Moseley, we are going to have to go and my prediction was correct.

Mr. MOSELEY. Mr. Chairman, we are available to you if you want to ask questions or if we can be of service at any time.

Mr. O'HARA. Your association has been very helpful and I am sure you will be. I thank you for the help you have given this subcommittee in the past.

The subcommittee will now stand in adjournment until 10 o'clock Monday morning.

[Whereupon, the subcommittee adjourned at 12:15 p.m., to reconvene on Monday, March 17, 1975 at 10 a.m.]

[Materials submitted for the record follow:]

A NATIONAL POLICY FOR PRIVATE HIGHER EDUCATION

The Report of a Task Force of the
National Council of Independent
Colleges and Universities

ASSOCIATION OF AMERICAN COLLEGES
WASHINGTON, D.C.
1974

1

Introduction

American higher education has historically been conducted under two more or less distinct kinds of sponsorship. Throughout this report we shall perforce speak of "public" and "private" institutions and of the public and private sectors of the academic enterprise. In doing so we do not seek to emphasize differences. Both kinds of institutions have the same essential role: they are engaged in similar activities—instruction, research and community service. Both accept students from within and from outside the state in which they are located, though the mixture varies from institution to institution. Both receive funds, though in different proportions, from taxes, private gifts and student payments. Both kinds of institutions are public in the sense of meeting public needs and providing benefits to the public. They are complementary and interdependent. Together they constitute a system of higher education that is unsurpassed in its capacity to serve students of widely varying backgrounds and talents, in its ability to respond to a vast range of social needs, in its over-all performance and its peaks of excellence, in its fidelity to unfettered pursuit of individual development and the common weal.

The basic distinction between the two types of institutions lies simply in their sponsorship and in the variations of character and program that flow from differing sponsorship. Public institutions are underwritten by government, usually state or local government. Private institutions are sponsored by nongovernmental bodies and therefore are often referred to as "independent" institutions.

Higher education in this country originated primarily under private auspices. Though public support has a long history going back to the founding of Harvard in the seventeenth century, public colleges and universities became significant in numbers and enrollment only in the latter part of the nineteenth century. As late as 1950, enrollments were equally divided between private and public institutions. Since then, however, most of the growth has occurred in public institutions as the states have enlarged existing colleges and universities and created hundreds of new ones. Education in that sector has enjoyed large public subsidies which have enabled it to set its charges to students substantially lower than would be necessary to meet the actual cost of instruction. Such tuitions are far below those which private institutions must typically charge. Today, the private sector enrolls only about 24 per cent of the total student population (see

Table 1) and its share must be expected to decline still further. (The percentage, of course, varies widely among the several states.)

In recent years the financial position of private colleges and universities has been notably weakening. For a few institutions the situation is already becoming catastrophic; for most, including some of the most prestigious institutions, the future is precarious. Many thoughtful observers, believing that if the relative decline of the private sector is prolonged much further, it will be detrimental to higher education as a whole, view the prospect with dismay. The four commissions or task forces that have recently studied higher education in depth have all recognized the value of the private sector and expressed concern about its future.[1] Similarly, numerous earlier commissions and committees endorsed the concept of diversity and independence in higher education, and some of them recommended that the states should initiate or increase support for private institutions.[2] But for the most of those bodies public policy for the private sector was not a major concern and was treated peripherally.

Such lack of attention to the question of a public policy for private higher education is readily understandable. The very concept of privateness or independence invites the inference that the body politic has no responsibility for the private sector. Traditionally, the leaders of private higher education have themselves been happy to accept almost exclusive responsibility for the planning, the management, the social role and the future welfare of their institutions. They have tended to be wary of governmental intervention. Indeed the private sector may be regarded as making its distinctive contribution to the total endeavor precisely because it is relatively independent of government. It provides an indispensable counterweight to what might otherwise become a monolithic public system. So it is easy to assume that the health, welfare and survival of the private sector is none of the government's business and that no public policy for private higher education is either necessary or desirable.

The matter cannot, however, be disposed of so easily. Government cannot help having policies that affect private higher education in one way or another, even though they are not so intended. Private institutions are affected whenever a new public institution is established or an old one closed, whenever an educational program in a public institution is started or terminated, whenever public tuitions are raised or lowered, whenever public salary levels for faculty are adjusted, whenever certain sections of the tax law are amended. Moreover, government has a financial interest in the preservation of the private sector, which serves over 2,100,000 students at an estimated saving to the taxpayer of some 2.9 billion dollars a year.[3]

---

[1] Appendix A to this report contains a summary of the findings of these bodies.

[2] Carnegie Commission on Higher Education, *Priorities for Action: Final Report*, McGraw-Hill, New York, 1973, pp. 167, 174. That report contains an interesting and useful summary of the findings of the principal commissions and task forces, beginning with the President's Commission on Higher Education which reported in 1947.

[3] Assuming an average subsidy in state institutions of $1400 per student (See Chapter 3).

The time has in fact come when the American nation must decide whether it shall continue to enjoy the benefits of a dual system of higher education. If it is convinced that the private sector is essential to the well-being of the whole academy and of the larger society, it must be willing to adopt purposeful and appropriate *public policies* to ensure the survival of the dual system.

Governmental policies designed to sustain threatened private activities of social value have long been established in other areas. Government has provided direct or indirect support for the arts and humanities, for hospitals, nursing care and medical research, for airlines and shipping, for small farms and small businesses, to name a few obvious examples.

Public assistance to private higher education is consistent with our national tradition and, in fact, is being increasingly provided. Many states have already acknowledged a responsibility to independent colleges and universities by adopting programs of financial support. What is now needed is to extend and intensify those initial efforts in a manner that will assure the survival and health of a competitive private sector without either impairing the essential independence of private colleges and universities or damaging the public sector.

The mounting problems of private higher education have not yet reached the point of irreversibility. They are still surmountable. The means for dealing with them are at hand and well within the capacity of the nation. But without prompt and positive action the outlook is bleak. The purpose of this report is to suggest the measures that are needed to maintain a flourishing private component in a healthy and balanced system of higher education.

The report is brief and can be quickly read, but for the convenience of the reader who is concerned only with its conclusions and recommendations, they are brought together in Chapter 2. The reasoning that led to those conclusions and recommendations is set out in Chapters 3-11.

2

Conclusions and Recommendations

Private Higher Education
(Chapter 3)

The private sector of higher education is enormously valuable to American society and is an influential complement to the public sector. Policy-makers in both state and federal governments should give increasing attention to preserving and strengthening private higher education.

Financial Distress
(Chapter 4)

The financial problems of private higher education other than demographic factors and escalating costs—the tuition gap, the unfavorable provisions of federal student aid programs, the indiscriminate creation of new public institutions, and tax reform proposals inimical to private philanthropy—could all be solved or alleviated by quite modest changes of public policy. State and federal governments should take measures along the lines proposed in this report, which are consistent with the public interest and the autonomy of private institutions, to effect the necessary changes. The measures proposed are to be viewed as a series of inter-related programs, primarily at the state level but supplemented by the federal government. Any one of them would be helpful, but all are needed to provide the private sector with the substantial support it needs in order to achieve long-range stability.

Narrowing the Tuition Gap
(Chapter 5)

Each state should provide adequately funded grants having the effect of substantially narrowing, but not necessarily closing, the tuition gap.

This report elaborates on one simple, direct and practicable way to narrow the gap, namely, tuition offset grants for all students in private institutions. We believe this specific proposal is sound and should receive serious consideration in every state. We recognize, however, that it is not the only way, and so it is not formulated as a rigid recommendation.

Rather we recommend that each state find a way, consistent with its traditions and needs, to enlarge student choices by substantially narrowing the tuition gap. Other possibilities would be to extend the coverage of present state programs of assistance to needy students in private institutions or to extend present state scholarship programs so that they would include far more students and provide more adequate grants. Another way would be to modify various federal programs of student aid so that they would include more students and recognize differences in tuitions between public and private institutions (See Chapter 7). Still another way would be to give institutional grants to private institutions from state or federal funds or both. The important objective is not to adopt a particular scheme but effectively to narrow the tuition gap in one way or another.

Correcting Geographic Inequities
(Chapter 6)

The amount and types of aid to private institutions and the students attending them have varied greatly among the states, with resulting inequities based on accidents of geography. An equally serious problem is that state aid to students in private colleges has usually been confined within state boundaries. Federal legislation should be enacted to provide incentive grants to the states to encourage them to overcome geographic inequities by giving adequate aid to private colleges and by making provision for students who attend out-of-state institutions. The federal program should be flexible enough to permit the states to act in accordance with their traditions, constitutional restraints and local conditions.

Federal Student Aid Programs
(Chapter 7)

Federal programs of student aid are not well suited to the needs of private institutions and their students. The programs do not provide realistic amounts of money to help students meet the costs of attending private colleges and universities. The conditions are often too restrictive or the programs are underfunded. Federal BEOGs should be modified, for example, by adding an extra allowance to students for private tuition or a special cost-of-education supplement for private institutions. The funding of all federal student aid programs should be increased to provide a realistic number and amount of grants.

Statewide Planning
(Chapter 8)

A rational system of higher education, including both public and private sectors, can only be attained by careful planning. State educational planning agencies should take into account the presence of private institutions, consult with them, when feasible make contracts with them for needed services, and otherwise avoid unnecessary duplication and wasteful competition. Private institutions should cooperate in statewide planning, but the actions of state planning agencies should respect the essential autonomy of both public and private institutions.

Taxation
(Chapter 9)

Federal and state income, inheritance and estate taxes should continue to provide strong incentives for philanthropic giving. These incentives should be strengthened, for example, by adopting the Pifer plan for increasing the exemptions available to lower-income taxpayers. Private colleges and universities should have the same tax exemptions as comparable public institutions.

Fund Raising by Public Institutions
(Chapter 10)

In the area of private giving as a source of support for higher education, new relationships and understandings between the public and the private sectors are needed. The private institutions should acknowledge that public colleges and universities may need private gifts for innovation and enrichment; the public sector should recognize that private institutions must enlarge their search for public funds, both on state and federal levels, in order to maintain their vitality.

Other Measures
(Chapter 11)

Present student loan programs are complex and ineffective. A coherent national system of long-term student loans should be established with adequate funding and moderate interest. It should *supplement* other forms of aid and not be viewed as a substitute for tuition grants or other aid programs.

To strengthen the academic quality of small, developing colleges and universities, which include among their ranks many institutions serving predominantly minority students, the federal program, Strengthening Developing Institutions, should be reauthorized.

The number of graduate fellowships and the level of funding for research should be increased. We support the recommendations of the 1974 report of the National Board on Graduate Education.

Many private institutions cannot obtain sufficient money from current funds for maintenance and depreciation reserves. Matching grants should be available to private institutions for replacement, remodeling and reconstruction of buildings and equipment. Bonding authority, available to private institutions in some states, should be widely adopted.

Lifelong or recurring education should be financed in a way that will enable both public and private institutions to meet these educational needs.

Association of American Colleges

1975 AAC Legislative Position Paper

The Association of American Colleges is the voluntary organization of undergraduate colleges of arts and sciences, public and private, four-year and two-year.

Chartered 60 years ago, the Association has consistently sought to advance the common interests of undergraduate education, public and private, while sustaining the important principle of institutional diversity in the national interest.

As a part of its commitment to strengthen higher education, the Association sponsors studies, conferences, workshops, policy statements and information services on topics of current and lasting interest. Topics recently covered include among others: reform of liberal education, status and education of women, collective bargaining, tenure, preparation of college teachers and the selection of college presidents.

Another part of its commitment to strengthen higher education is to offer appropriate comments on state and federal legislation. In the main these comments have applied to the national scene where the Association has long advocated a legislative program to provide a balanced plan of student financial assistance, categorical support and general institutional aid. As the highest priority it has advocated direct student grants from federal, state and private sources, based on need and adjusted to institutional charges, to be accompanied by adequately funded programs of national direct student loans, work study and guaranteed loans.

The Association believes a sound national policy should include the following objectives: 1) to preserve the unique American system of higher education with its strong private sector operating as a safeguard against the danger of political control inherent in a monolithic system; 2) to provide students and parents as consumers with assurances of institutional accountability in both the public and private sectors; 3) to lower the financial barriers which now deny many students the freedom to attend a college or university of their choice; and 4) to achieve maximum economy for the taxpayer through efficient use of existing higher education resources.

Over the recent decades we have proposed or supported a variety of federal laws, from those relating to housing and facilities support, student aid, and categorical assistance, to the yet unrealized general institutional support. These programs have provided billions of dollars to achieve national objectives, and we recognize as inevitable and appropriate that with this flow of financial support to students and institutions come federal regulations and guidelines to ensure effective implementation of the law.

We believe that while the academic world has a right and a duty to preserve the public interest by maintaining a high degree of institutional autonomy, it should not automatically regard federal regulations and guidelines as infringing that autonomy but should work cooperatively with governmental agencies to ensure that such guidelines strike a reasonable balance between institutional independence and public accountability. The public interest demands that both the integrity of educational institutions and the rights of citizens as supporters and beneficiaries be respected and assured.

In the following policy statement the Association wishes to make specific reference to some issues which merit special consideration at this time.

NARROWING THE TUITION GAP

The Association of American Colleges through its affiliate, the National Council of Independent Colleges and Universities, released in January, 1975, a task-force report entitled "A National Policy for Private Higher Education." The main thrust of this report calls for a narrowing of the tuition gap between the public and private sectors, currently averaging about $1600, so that the private sector can continue to compete.

The NCICU report suggests a possible federal/state partnership of student aid, institutional aid, or a combination of both, which would narrow, but not close, this tuition gap. The individual state should determine the approach most appropriate for itself.

We applaud those states which have already begun to develop programs designed to narrow the tuition gap and urge the Congress to become a partner with all states in this essential effort to preserve the dual system.

ACCESSIBILITY TO HIGHER EDUCATION AND ITS COROLLARY: SUPPORT SERVICES

Although over-all enrollments have tended to increase even in the past two years, as have state and federal funding for student aid, full accessibility to postsecondary education has not yet been realized. For the past ten years the nation has developed new student aid programs and has declared that no qualified student should be barred from higher education because of a lack of funds. Progress has been remarkable; yet the goal remains ever elusive. It can, and must, be attained.

Accessibility must become a fact for students of all ages. And it implies more than simple entrance; it mandates a reasonable choice of institution and program of study as well. Further, it requires the provision of support services designed to remove unnecessary obstacles to the continued enrollment of willing and capable students. These support services would include the necessary counseling, tutorial and medical services which will encourage students to complete their programs of study.

The Education Amendments of 1972 recognized the increased costs to institutions through the enrollment of additional students under federal student aid and authorized a program of cost-of-education allowances to help offset those expenses. The funding of this program would assist colleges to include in their educational and general budget the necessary special services.

We recognize that as full accessibility is achieved the traditional college will have to change in many ways. Significant numbers of colleges have already begun to do so.

RENOVATION OF FACILITIES

The two longstanding federal programs in housing and academic facilities have for all practical purposes been discontinued; yet the obligations for debt service and repayment understandably continue. In many instances the purpose for which a building was constructed remains; yet in other instances the changing roles of colleges in changing times suggest the need for alternate uses. In addition, the soaring general inflation and the escalating costs of instruction make adequate maintenance of these buildings for whatever use a very difficult problem for many institutions.

Institutions are financially strait-jacketed also by impending federal requirements to improve buildings to meet energy conservation measures, occupational safety and health standards and ready utilization by handicapped persons. Clearly what is needed is either a federal categorical grant program or general institutional funds which could be used for the above purposes.

INTERNATIONAL EDUCATION

With elements both of neo-isolationism and fresh efforts at detente influencing us, our nation has become ever more keenly aware, particularly through the recent oil embargo, of our total, not just economic, interdependence with the rest of the world. We seek ways as nations to speak with one another, precisely and with friendship and understanding.

As citizens of the United States we become somewhat perplexed when we discover that other nations know more about our history, mores, and economics than we know about theirs. At times we even feel a little uncomfortable when we find we cannot compete with other countries because of our own language barriers.

In 1966, with strong support from the education community, the Congress passed an ambitious and promising International Education Act, planted in the intellectual fields of understanding and cooperation. It has lain fallow since.

DISCRIMINATION

Our tendency as a nation to praise ourselves—and we do have a good society—is understandable if not always fully merited. For we have only begun to rid ourselves of unconscionable discrimination in matters of race, poverty, national origin and sex. And while we have initiated actions which can be classified as affirmative, we have not achieved attitudes which are fully affirmative. Because colleges and universities help shape the thought processes of the world, we have a responsibility accordingly to place our own roles and houses in proper perspective. We yearn for the time when others might praise us, if praise is indeed beyond restraint, for providing leadership in eliminating discrimination from our society.

RELATIONSHIPS WITH BUSINESS

INDUSTRY AND GOVERNMENT

Beginning in the early years of the 70s, and more recently conveyed in speeches by the President, the federal government has called for a working relationship among business, industry, government and higher education to help solve problems of technology, particularly through increased applied technologies. We support greater interaction among these elements of our society, including exchanges of ideas, personnel and methods.

In this process, however, we urge the nation not to lose sight of the basic mission of colleges and universities which is to preserve and transmit existing knowledge, to push back the frontiers of knowledge and understanding through pure and applied research and to prepare individuals for responsible, useful and satisfying lives.

We urge that all education associations and their member institutions work cooperatively, yet prudently, with business, industry and government as new laws are enacted and regulations promulgated which will create these closer working relationships.

ACCREDITATION

Accreditation is a process of institutional evaluation designed to ensure the quality of educational programs. We view with favor and support recent developments within and among the several voluntary accrediting agencies to improve and better coordinate educational accreditation. We favor a voluntary system of accreditation, and view with concern the suggestion from some quarters that the government should assume greater responsibility for this regulatory process.

On the other hand we recognize that the government must protect the public interest and assure itself that public funds for educational purposes are properly expended. Therefore, it does have a legitimate interest in the evaluation of educational institutions and programs for the purpose of determining eligibility for federal support.

Accredited status may be an important factor in determining eligibility, but accreditation should not be used as a means for enforcing government policies. The incursion of government into accreditation would expose the process to political pressures and encourage other undesirable abuses.

PUBLIC SERVICE EMPLOYMENT

As the twin economic illnesses of inflation and recession worsen to the point of serious national concern, many of the proposed cures call for a program of public service employment to counter growing unemployment. At the risk of seeming to be gratuitous and yet in recognition of the full scope of what we hope is a temporary national illness, we urge the utilization of education as one of the antidotes.

Education can be used to train or retrain workers for new or changing job markets, it can assist in preparing persons for first or better employment and it has a long range value as contrasted with short term relief measures.

PRIVATE PHILANTHROPY

The need for equity in our federal tax system has brought with it the recognition that the nation is prepared for tax reform. Throughout the preliminary discussions many fears have been raised, some real and others perhaps imagined, that the charitable contribution and present tax treatment of certain kinds of gifts will be altered so as to have the effect of diminishing the thrust of private philanthropy. If such developments were to occur, we would view them with gravest concern as potentially destroying the all-important incentive to voluntary support of higher education.

National Council of Independent Colleges and Universities

1975 NCICU LEGISLATIVE GUIDELINES

The National Council of Independent Colleges and Universities, formed in January, 1971, from its predecessor, the Federation of State Associations of Independent Colleges and Universities, is made up of more than 1,000 institutions. Its organization is based on thirty-six state associations of independent colleges and universities, nearly all of which are staffed with one or more fulltime executives. Each of these state associations produces a legislative program for consideration by its legislature or assembly, and together these state associations support these legislative guidelines for 1975.

TO NARROW THE TUITION GAP

During the past year the Board of Directors of NCICU formed a task force which independently produced a report entitled "A National Policy for Private Higher Education." This report's salient recommendation is to narrow the tuition gap between public and independent institutions, as some states have begun to do, through state and federal programs of assistance to the independent sector. The report states "the time has come when the American nation must decide whether it shall continue to enjoy the benefits of a dual system of higher education."

The task force report indicates that the tuition gap this year could be as much as $1600 per student, which is approximately the size of the student subsidy in the public colleges. The task force report does not call for the elimination of the tuition gap, simply a reduction in it to some more manageable amount. The reduction in this tuition gap, reflecting state initiatives and federal partnership, would ideally range from one-half or upwards to three-fourths of the subsidy to the public sector.

Through state initiatives and a federal partnership the tuition gap could be narrowed through grants to students, grants to institutions or a combination of the two. The actions by the individual states would govern the approach to be utilized.

The legislative issues treated in the balance of these guidelines are intended to assist in the preservation of diversity in higher education.

STUDENT ASSISTANCE

We believe the top priority for federal, state and private dollars should continue to be financial aid to disadvantaged students. This student aid should provide both access and choice and should reflect individual need based upon the cost of attendance where the student is enrolled. We believe, further, it is time eligibility for student aid programs be broadened to include at least minimal benefits for middle income families. Middle income America has become forgotten America in recent years, all the while carrying the preponderant responsibility for providing tax revenues to the nation.

Campus Based Programs:

The Supplemental Educational Opportunity Grants (SEOG), College Work/Study Program (CWSP) and the National Direct Student Loans (NDSL) make up the campus based student assistance programs which are fundamental to providing both access and choice. We applaud the Congress for increasing the appropriations for these programs in Fiscal Year 1975 by an additional $100 million, following two years of static funding. Because more than 500 institutions of postsecondary education and more than one million students were added to these programs in that three-year period, authorization levels must be increased and appropriations be brought up to those new levels. Also, the requirement that these programs must be appropriated before funds are placed in the Basic Educational Opportunity Grant program, as specified in the Education Amendments of 1972, should be continued when that statute is reauthorized.

SEOG–We favor the elimination of the distinction between initial and renewal awards.

CWSP–We support the continued emphasis on this program as student aid. We believe states should be encouraged to enter the program on a matching basis.

NDSL–We urge the continued and expanded funding of this program until such time as it becomes fully revolving. We favor increasing the interest rates, opening up the program to middle income families, leaving the matching requirements unchanged and discontinuing the forgiveness features.

Basic Educational Opportunity Grants:

The Basic Educational Opportunity Grants were first proposed by Senate Education Subcommittee Chairman Claiborne Pell (D-RI) and subsequently were included in the Education Amendments of 1972. Known since then as the BOG's, and sometimes as the Pell Grants, they represent the second new thrust of federal support for students, following the first federal grants in the Higher Education Act of 1965. They may be the precursor of a federal program of entitlement for postsecondary education for citizens of all ages.

We believe the BOG program should be continued and expanded, with only slight modifications from the original statute. To keep abreast of increasing tuition in both the public and independent sectors, as well as inflating costs of other educational expenses, the maximum BOG award should rise to $2,000. Because it helps take into account the tuition differential, the one-half cost ceiling should be retained as it makes clear the responsibilities of the states, institutions, foundations and other sources in helping to provide student assistance funds. Further, elimination of the one-half cost ceiling would negate the historic American concept of self-help. A properly funded BOG program in this design will assure access and choice to the great majority of interested students, and to virtually all students in those states with an adequate distribution of low-cost postsecondary institutions.

We recommend that the federal government contract with those states which desire to do so for the administration of the BOG program. Utilizing the states in this manner would: 1) expedite the program for the student, 2) permit one application process for both BOG and state scholarships, allowing states to help cover the one-half not provided in the BOG itself, and 3) provide rapid and accurate information to states, institutions, and the federal government on the status of the program. State administration also would assist states if the work/study program were extended to the states on a matching basis.

We urge also the broadening of eligibility for BOG's to include more middle income taxpayers. In the absence of state administration of the BOG program an administrative cost allowance to institutions is essential.

State Student Incentive Grants:

The State Student Incentive Grant program (SSIG) is enormously important, but was funded at only $20 million in Fiscal Year 1974, far short of the authorized $50 million. In spite of that it has stimulated all but a handful of states to initiate or expand student aid programs and it has set a pattern for future federal/state partnerships in other programs such as work/study and the administration of the BOG's.

The present SSIG program does not require portability of awards to other states, which could be corrected by making portable the federal portion of money granted by the states. Additionally, the maximum award should be increased to at least $2,000 to match expanding maximums in state awards and also to allow for the matching of the other one-half of BOG awards. The base year for state eligibility should be advanced annually and the distinction between initial and renewal awards should be eliminated. All reports to the federal government should relate to demographic data only.

Guaranteed Student Loans:

The Guaranteed Student Loan program (GSL) is the student aid program which provides the greatest number of dollars to the greatest number of students. It is also attracting the greatest amount of comment because of increasing default rates and the cost of the interest subsidy. Some adjustments are undoubtedly needed in this eight-year-old program, but it should be maintained because of its extensive use.

For the most part that comment on GSL's which has been adverse has developed in recent years as substantial numbers of loans have entered repayment status. We support the current efforts by the U.S. Office of Education to improve collection of defaulted loans but urge also that greater attention be given to an adequate description or definition of what constitutes default status.

We urge greater recognition of those states and institutions which conduct a loan program with low default rates and to utilize states and institutions which assure better lending experience. We support a full federal guarantee, rather than 80%, for state programs and full federal reimbursement of the costs of collection.

Finally, we urge an increase to $20,000 in family income levels for assumed need and that all borrowers, at any income level, be permitted deferral of interest payments during the period of study.

INSTITUTIONAL ASSISTANCE

One dozen states currently provide financial assistance to independent institutions to help in narrowing the tuition gap. The NCICU task force report encourages the federal government to form a partnership with states to narrow further that gap through institutional subsidy, student subsidy or a combination of both and thus assure diversity in American higher education,

Building Renovation and Rehabilitation:

Almost thirty years ago colleges and universities responded to the great need for educational opportunity for millions of returning veterans and greatly increasing numbers of Americans who desired an education in a newly egalitarian society. Than came the arrival at college age of the baby boom which followed World War II. Without federal programs of grants and loans for dormitories, food service buildings and classroom space, the nation's colleges and universities would not have been able to meet the demands for space.

Now the building boom is over, and the space is still almost fully utilized. Colleges and universities are carrying heavy debt amortization payments for buildings needed to meet an earlier national objective. With unrelenting inflation in costs and a probable decline in total enrollment as the nation approaches zero population growth, these colleges and universities today need a program of renovation and rehabilitation to meet the needs of changing curricula for tomorrow and the years ahead.

ROLE OF THE STATES

The states are certainly full partners with the federal government in providing student assistance and are, indeed, senior partners in planning and institutional assistance. Nevertheless, we are now recognizing the larger potential of the federal/state partnership that lies ahead. Now is the time to begin to develop that potential fully.

Administering the BOG's:

The first three years of central administration of this program indicate it needs to be brought closer to the student. Better information, provided in shorter periods of time, is also needed. Both could be better achieved by state administration in each of the states which wish to contract for that service. One application and a single needs test could be used in each state for both objectives.

State administration would provide earlier and better institutional packaging of student aid involving the BOG and the SSIG, plus work/study and state loan programs which might also be included in state administration. State administration would provide also a sorely needed constituency for the BOG.

State Panel Review:

States might also provide processing of institutional application forms for federal student aid and panel review of institutional requests, rather than the present regional system.

State Planning Commissions:

One of the truly heartening developments out of the Education Amendments of 1972 was the establishment of state planning commissions (Sec. 1202). That they have been initiated in a spirit of cooperation and without the usual guidelines has undoubtedly added greatly to their success. Indeed the absence of guidelines accommodates those states which declined to accept funding through the 1202 commissions.

A greatly increased level of funding for this program is not mandatory. The present modest level is adequate to provide ample opportunity for policy planning but not large enough to produce the inevitable bureaucracy and ultimate program management that larger appropriations could bring.

Title III-Strengthening Developing Institutions:

This program would be improved if administered at the state level. (See final section.)

TAX POLICY

This nation was founded, and exists today, through private initiative and the free enterprise system. Under this system the nation's colleges and universities raise over $2 billion annually from private philanthropy. These dollars arrive undiminished by bureaucratic administrative expenses and frequently provide the extra support which helps to achieve the margin of excellence in education programs.

We view with grave concern the variety of current proposals which would have a dramatic, adverse impact on voluntary support. Some of these current proposals would tax gifts of appreciated property by limiting the deduction to the cost basis only, while others would tax wealth transferred at death by joining or integrating estate and gift taxes so as to achieve a higher tax rate through adding that wealth to lifetime gifts. We believe strongly that continued equitable treatment under the tax laws is absolutely essential.

We propose, further, that the federal government consider seriously a system of federal income tax credits, in the pattern of some states, for gifts to higher education. We believe a credit of 50% of the gift, not to exceed a $200 credit for a joint return, for both public and independent colleges, would be appropriate. Corporations should be eligible for such credits also at appropriate rates.

SPECIAL TOPICS

Merit Scholarships–We propose a federally supported program of merit scholarships for undergraduates not based on need.

Titles I, II, & VI–In the absence of institutional support these categorical programs must be maintained.

Title III–This is an important program which should be continued with expanded authorizations. The present federal guidelines have separated this program into basic and advanced elements which have created some dissatisfaction among those colleges eligible to benefit under either element. Efforts should be made to resolve this problem by returning to a broad program open to all developing institutions.

**National Council of Independent Colleges
and Universities**
1818 R Street, N. W.
Washington, D. C. 20009
Telephone: (202) 387-3270

THE STUDENT FINANCIAL AID ACT OF 1975

MONDAY, MARCH 17, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
OF THE EDUCATION AND LABOR COMMITTEE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2261, Rayburn House Office Building, Hon. James G. O'Hara, presiding.

Members present: Representatives O'Hara, Simon, Erlenborn, and Eshleman.

Subcommittee staff present: Jim Harrison, staff director, Elnora Teets, clerk, Webster Buell, counsel.

Full committee staff present: Mr. William M. Diefenderfer, minority research associate.

Mr. O'HARA. The subcommittee will come to order. Today we are continuing our hearings on H.R. 3471 and associated bills having to do with the extension and amendment of title IV of the Higher Education Act of 1965.

Today we are hearing from Emerson Elliott, who is Acting Director of the National Institute of Education.

If you could proceed, Mr. Elliott, we would be very happy to hear from you.

STATEMENT OF EMERSON ELLIOTT, ACTING DIRECTOR, NATIONAL INSTITUTE OF EDUCATION

Mr. ELLIOTT. Thank you very much. I might just introduce my colleagues.

Virginia Smith is the Director of the Fund for the Improvement of Postsecondary Education. Charlie Cooke, on my right, is Deputy Assistant Secretary for Legislation in HEW. Gloria Scott, on my left, is head of postsecondary programs at the National Institute of Education.

I have a prepared statement which I believe is before the committee but I have made several changes in it, so as you follow down, you will find that there are some inserts here and there which will be apparent.

I am happy to have this opportunity to discuss with you our response to the experimental program posed in part F of H.R. 3471.

It is our understanding that the studies required by part F would explore the effects of open admissions, low or no tuition, and the use of private or proprietary institutions as an alternative to expanding enrollment of public institutions, on student access and choice, and on institutional viability.

At the same time, the legislation would mandate examination of the feasibility, development, and validation of "unbiased" techniques of measuring the academic promise or scholastic aptitude of students.

The National Institute of Education and its policy group, the National Council for Educational Research, consider policy oriented research such as this to be one of the institution's most important functions.

We think that the issues identified above are important to the future of postsecondary education. The National Institute of Education is engaged in work on some of the issues addressed in the experimental program authorization of part F.

Such work is a portion of our fiscal year, 1976 budget request which includes $9 million for postsecondary education research.

Within the education division I would add that another $17.5 million is proposed for the Fund for the Improvement of Postsecondary Education to promote innovation in postsecondary education.

The Office of Education also has conducted studies on some of these issues. Because of the breadth of existence of authority, the Department does not believe that the additional specific provision of part F is needed.

Let me make a few comments on the significance of these issues. In recent years, many commissions, groups, and individuals, including the Carnegie Commission, the Newman task forces, and the National Commission on the Financing of Postsecondary Education have examined various issues about student access, student choice, and institutional viability.

In addition, the Office of the Assistant Secretary for Education, the Office of Education, the National Institute of Education, the Fund for the Improvement of Postsecondary Education and the National Center for Educational Statistics, have sponsored related activities in this area.

The efforts generated in these activities support the significance of issues raised in your proposed legislation. Let me turn to the first section which refers to access, choice and institutional viability.

One might consider the following specific questions which are paraphrased from H.R. 3471.

In what ways do various admissions policies in postsecondary institutions affect the number of students who attend such institutions?

Does the acceptance of new groups of students influence the nature and orientation of course work offered?

Does the elimination of or reduction of the costs of tuition and/or personal maintenance increase the number and type of students who attend postsecondary institutions?

What are the consequences for other institutions that are unable to reduce tuition?

Will the increased participation of nonpublic providers result in the diversification of choice and subsequently, increase the number of students seeking such education?

In preparation for this hearing, Institute staff have canvassed the work which NIE and other Federal agencies, State commissions have conducted. Among the number of possible approaches, we would like to suggest three discreet levels of research activity which the committee might wish to examine.

I say discreet levels advisedly because these various levels do much to govern the costs and time in which the research can be carried out.

The first level would be the development of descriptive studies of usable data from ongoing "real world" projects involving institutions, State, Government agencies, and individual researchers.

For example, several institutions—notably the City College of New York—have initiated open admissions policies. Several descriptive studies have been generated from the City College experience including the American Council on Education sponsored study which has recently been published.

Several States and institutions, notably Wisconsin, have initiated tuition variation modifications to gage possible effects on student access.

A number of arrangements exist between different kinds of institutions which could provide a data base for further exploration.

The Fund for the Improvement of Postsecondary Education is sponsoring one such project in California—a private liberal arts institution—Pepperdine—has contracted with a proprietary school, Telco Institute, in order to make vocational training opportunities available to its students.

Dr. Smith is here and can respond to any questions you might have in this area.

The Office of Education, Office of Planning, Budgeting and Evaluation has sponsored several evaluative studies related to student financial aid and special programs to increase student access—such as upward bound, special services, and developing institutional support.

Many other isolated and independent studies have also been done. We will discuss those further if you wish.

The second level would be analytical studies of usable existing data and newly generated data. The following are examples:

There are several data bases and theoretical models that have been developed to address the tuition question. Few, if any of these have actually generated data that has been analyzed. It would be possible to test some of these models.

The usable data from independent, isolated projects and studies would be analyzed applying some statistical techniques for observed and expected differences to give some support for or to reject hypotheses.

As to what would happen with changes in tuition, access and alternative providers would be another area of endeavor.

Finally, the third level would involve designing and conducting experiments to test the impact of open admissions, tuition variation, and alternative service providers on student access, student choice and institutional viability.

For example, in order to test the impact of various graduations of tuition from zero to full tuition and to test the tuition impact when admissions requirements are added, experimentally designed research is necessary so that results can be conclusive.

There are many problems inherent in designing and managing carefully controlled studies. It would be useful if those matters are to be pursued for NIE staff to have the benefit of the views of the committee as to the kinds of studies which would be most helpful, what research should have priority and what is the most desirable time frame for specific results. It is often the case that the utilization of the outcomes will shape the research design.

In this regard, I might point out that the institute staff had many discussions with the committee in connection with the compensatory education study which is now a part of P.L. 93-38. That is, in fact, the way the authorization was designed.

With regard to the tuition variation question, if the need is to know the impact of no tuition on student access regardless of admissions requirements, then well designed experiments which control for admissions requirements as a factor would be necessary.

If, on the other hand, the need is to know whether or not "no tuition" in fact has been tried by institutions—or the extent to which it has been tried—a descriptive study would suffice.

The designed questions have a strong bearing on the time required to complete the research and on the costs, as well.

Let me turn now to the section of the proposed legislation authorizing NIE to study the feasibility of, and to develop and test, techniques of measuring scholastic aptitude, academic promise, or the likelihood of success in a given course of study.

Such measurement techniques must be "free of cultural, socioeconomic, racial, religious, sexual, and ethnic bias".

Clearly, such work is important. For many reasons, postsecondary institutions have used scholastic aptitude tests as admissions criteria.

More recently tests have been used by postsecondary institutions in a variety of other ways, to give credit for courses not taken, to determine whether students should be required to take remedial courses, to deny access to certain major areas of study in an open admissions format and to label some students as "high risk" which may help to assure their access to remedial resources, but may also operate as self-fulfilling. prophecy.

Interestingly, although objective tests are much criticized now for bias, one of the original motivations for using objective tests as predictors of college success, and then as criteria for admittance, was to avoid bias against minority groups that was believed to exist in more subjective screening procedures.

Now it is clear that even the objective tests have not been entirely satisfactory in that regard. Whether for admissions or diagnostic purposes, incorrect decisions are costly both to individuals and to society.

In addition, there is the possibility that use of the test will result in more wrong decisions for one subpopulation than for another.

There already exists an extensive body of research, both theoretical and empirical, on the problem of biased testing by postsecondary institutions.

The purposes of part F could be met by capitalizing on past efforts and at the same time to provide badly needed coordination and focus to future work.

Mr. Chairman, in the section that is in your text from the bottom of page 6 to the middle of page 8, there is an insert which has been provided and I will be using that insert.

There are several types of studies which might be carried out to achieve the purposes of part F. I would suggest the following.

First: Past studies of test bias in prediction of postsecondary success have not systematically considered the context of postsecondary experience.

New studies should be conducted which consider the type, if any, of support services available to students who might otherwise be expected to do poorly.

Two: The majority of studies investigating the predictability of postsecondary success have been conducted in 4-year institutions using high school grades and SAT scores as the predictors and freshman grade point average as the criterion of success.

Past efforts to improve prediction and decrease bias through the use of additional variables have been notably unsuccessful.

There is reason to believe, however, that similar efforts might now be productive. First, few if any investigations have been done in 2-year institutions. Variables such as motivation and self-concept might be more useful when emphasis is placed on keeping students in rather than weeding students out.

Second: Even in 4-year institutions the well reported rise in grade point averages implies that criteria for success of students are changing.

For all studies, criteria of graduation and postgraduation success should be used in addition to the early success criterion of freshman GPA.

Furthermore, there are now colleges which have "no fail" systems. If a student does poorly in a course, he simply repeats the course suggesting that time to graduate should be a criterion of success.

Studies of test bias which use graduation and/or out-of-school success must either be longitudinal or retrospective.

Within a 5-year time frame, longitudinal studies could be done for 2-year institutions but studies of 4-year institutions would be limited to retrospective studies.

The obvious limitations of retrospective studies are that they depend upon (1) access to students' records and (2) quality of the data in those records, example, completeness and type of information available.

This is another case where informal NIE discussions with the committee might lead to a more useful design of possible studies.

Third: The competency based education movement in high schools suggests a new type of variable that can be used in predicting postsecondary success.

Studies are required to see if profiles of competencies are useful unbiased predictors of future educational success.

On the surface, such profiles would seem particularly useful in diagnosing student deficiencies that require special support services to overcome.

Fourth, studies could clarify the utility of several competing definitions of test bias. For example, empirical investigations could determine the implications for both students and institutions of using each of the several definitions for making admissions and diagnostic decisions.

The studies would vary across both context, e.g., 4-year institutions and community colleges, and subpopulations, e.g., cultural, socioeconomic, racial, religious, and ethnic.

In conclusion, Mr. Chairman, let me say that the administration's proposed bill extending the authorization of the Institute—which has been sent to the Congress this week—provides funding through fiscal year 1980.

In that bill, we are proposing to define more clearly the educational issues and areas of concern upon which the Institute will concentrate its resources.

These include improving the ability of schools to meet their responsibilities to provide equal educational opportunities for individuals of limited English-speaking ability, women and students who are socially, economically, or educationally disadvantaged.

They also include issues of finance, productivity and management of education at all levels. We believe that this bill would provide sufficient authority to address many pressing educational problems, including those suggested in Part F of H.R. 3471.

Accordingly, we are opposed to special funding authority and authority which enumerates educational research projects to such a specific degree as contained in part F.

Thank you, Mr. Chairman. We would be pleased to answer any questions.

Mr. O'Hara. Thank you. One of the problems we have here in this committee and in Congress is that we want to have questions answered on the basis of actual research and experimentation in order to help us to make policy decisions.

There are two ways you can go about it. Either you can mandate that kind of work be done within the executive branch or you can try to set up a capability and do it yourself.

That is to say, you acquire an appropriation from the Congress out of the House Administration Committee for the purpose of hiring someone, or some private organization, to go out and do some of this work.

However, often the kind of work that we would like to see done is the kind of thing a private organization really could not do.

For instance, picking up the issues that we just discussed in our part F, I would think that really in terms of your framework of analysis, what we are talking about is second level and third level testing procedures on this within the framework of your statement.

Let us take the tuition question. The Commission on the Financing of Postsecondary Education did a model on that as you are well aware and then the State of Wisconsin, as you mentioned in your testimony, did a small controlled experiment on that in a couple of university centers that were located in areas that had postsecondary, vocational, technical institutions.

It would seem that the results of that experiment did not completely jibe with the model that had been developed by the Commission on the Financing of Postsecondary Education.

However, then again, the Wisconsin experiment may have been a fluke. It may have been conducted with regard to particular institutions that were not the same as the general run of things.

Maybe that produced a result that you could not reproduce in a different kind of setting. I do not know the answere to that.

However, those are the kinds of things that you have to know, it seems to me, when you are studying student assistance programs and how you can help students get to school.

It seems to me it would be worthwhile if someone would put some money into a State—if they would go to a State and say look, let us try to spell out a really worthwhile test of what the effect of low tuition policy would be and let them make a study of who it is that attends and how they differ from the group that attended before or whatever.

Ms. Smith. Mr. Chairman, at the moment, there is a great variation in tuition levels among States. Perhaps before going to the expense of putting money into a State in a way that might in fact change the funding realities in that State, it might be very interesting and worthwhile to study what the differences are among those States that do currently have different levels of tuition.

I am not sure we have mined that kind of evidence adequately yet. Low tuition in some States means $25 a term and in other States, it means $200 a term.

Mr. Elliott. I think that presents the distinction joined here in these different levels of analysis. There is a great deal of experience available now which we could not look at in the few days we had to prepare for this hearing.

Much of that could be mined in descriptive studies and in making use of the data which is there. However, the reason we suggested the possibility of some informal discussions with the committee is that we have to have a better sense, I think, of what the time frame is that the committee has available.

For example, some of the issues that one would want to study, particularly in the test bias area, require following individual students for some considerable period of time.

Studies of that nature do go on for many, many years. It would be unlikely that you would get useful data coming out from such a study for 5 to 8 years.

If the committee is thinking about renewing the act again in 1980, that sets the time frame, so it is necessary to think about those things and not just plan on doing research hoping there would be results and then finding out it is not possible to achieve them in the available time.

Mr. Eshleman. May I interrupt at this point, we have an informal discussion here which is in a way better.

What is the logical place to zero in on the study? I understand six States have 50 percent of the private institutions in the country.

so would not it be logical to maybe—since you cannot zero in on all six, I would think maybe one, two, or three of those six States would be the logical place to make the study.

They certainly have more of a problem than the other 44 States.

Mr. Elliott. I will ask Dr. Scott to comment on that.

Dr. Scott. I think the question, in addition to being pertinent is related to the fact that those six heavily populated States have both private and public institutions. The impact study has to connote that.

What has happened to private institutions? There are regional variables which must be considered. You mentioned that the Wisconsin study results, for example, might have been just for that area.

Geographical variables and populations might also have entered into it. Somewhere between trying to do (1) a comprehensive U.S. study and (2) one isolated State study allowing for regional differences, is the choice of utilizing some of the regional compact studies, where institutions are doing that now.

Mr. O'Hara. Then again, you mentioned regional differences. You have the west coast, they certainly have a different setup than the east coast; California in particularly is a fertile area to study.

However, getting to that issue, when we are talking about the admissions questions, the California junior colleges did do some—someone out there did some sort of a study and suggested that motivational testing—maybe we have been testing the wrong thing.

Maybe motivational testing is what we ought to use to determine who gets into school because it is a much better predictor of success than high school graduation.

Maybe we have the necessary data now. What are the good predictors of success? You see when I look at college attendance and I see that a very large percentage of low income youngsters cannot go on to postsecondary education, not nearly as high a percentage as that of other income groups, especially higher income groups, then I look at another set of figures that shows high school graduates who go on to higher education, and there you still have sizeable differences, they are not nearly as sizeable.

It has become clear to me that it is not just a question of money that decides whether they go on to college.

It has to do with a lot of other things, so we are talking—if we are talking about improving educational opportunities for yougsters from low income failies, we have to be looking at more than just the money question.

We will have to be looking at admission standards, whether or not they are a major cause and I think they are, of failure of a lot of the low income young people to go on to college or to postsecondary education of some kind.

We have to look at the question of the kinds of postsecondary educational opportunities that are produced.

A lot of times, children from low income backgrounds, out of their own experience, are more attracted to programs that involve a greater career orientation that seems to be more related to the real world than other programs.

I know, for instance, that when you get a community college that is oriented into an area where they have not had that kind of opportunity before, a whole bunch of people and up going there that perhaps never would have gone to a traditional 4-year institution.

So I think there are these kinds of questions for which I do not know if there are any good answers. If we are going to work with these policy issues, we need to have more information than we have.

Maybe it is because we are ignorant and we do not know where to look. Maybe it is there and what we are trying to do is set up a restudy of things to which the answers are already well known by some but not us.

Mr. ELLIOTT. I think the concluding part of our statement noted that the answers are not known to many of these things. There are experiences out there that can be drawn on and there are some things that can be designed.

You mentioned motivation a moment ago as something to measure. So many of the measures that have been used are simple relationships between high school test scores and the early freshman-sophomore experience in college.

However, these measures do not really indicate what happens with regard to graduation and followup success. Those are some of the kinds of issues that do need to be reviewed.

There are many data bases around that can be utilized but they need to be put together.

Ms. SMITH. We do have studies which indicate attrition rate is very high in some universities. One of the things the funds is doing in this area might interest you. We are attempting to determine which of those open admissions institutions are showing a good deal of success in working with those students.

We now have 228 descriptions of programs that are designed precisely for low achieving students either in completely open admissions institutions or sometimes in institutions that have special open admissions for groups of low achievers.

I think this will give us a great deal of information on what to provide, some beginning indications of what kinds of programs work with those students and which do not.

Mr. O'HARA. That sounds very interesting.

Ms. SMITH. We are going through and reading these applications right now. What we hope to do is identify about a dozen that are excellent programs but may not have much descriptive, evaluative or analytical work, then have them work together in collaborative arrangements for about a year so they can develop a good base of information for other interested colleges.

Mr. O'HARA. I am very interested in that. It seems to me too that one of the complaints we have had in connection with this bill, H.R. 3471, is that it does not address itself to the institutional aid question, that being deferred until the second piece of legislation that we are talking about.

However, one of the problems with the existing institutional aid, it seems to me, is that it sort of makes an assumption that if you have someone who is attempting to go to school under a BOG grant, that it costs more to educate that child.

That is not necessarily so. If one of my auto workers kids is going to school, going to college, and the auto worker is paying tuition and expenses and then he becomes laid off because of the economic situation we are in, and becomes eligible for aid, I do not know that it necessarily costs more to start educating that child than it did before.

I do not if there is a direct relationship between the income status of the parent and the cost of educating the child, no matter how it got that way.

However, on the other hand, if you could pitch institutional assistance to the amount of effort they put into providing the special assistance to students who need special assistance in order to successfully do the work, I would be much more impressed with that as a technique.

I think the Congress would, I think the Office of Management and Budget would also and I think the Appropriations Committee would.

Maybe we would actually get some money into the program. Of course that gets up into our upward bound sessions and other kinds of things too.

The whole testing thing, I am just very frustrated by it all. I believe very strongly that you have to have objective testing techniques and you have to have evaluation techniques in order to decide who gets admitted and who does not.

You have to have systems that are absolutely bias free in any sense in order to do it. I do not know how close we have come to that.

The answer to that question is dependent on who you are talking to. Some say we have never approached it and that these tests are worse than nothing.

On the other hand, there are others who would say, well, they are pretty good predictors of success.

Mr. ELLIOTT. Among other things, I gather there are many definitions of what is unbiased and what is not. This area is one in which the institute has initiated some considerable activity at the elementary and secondary level. We have needed to concentrate our resources and we have worked on test biases as one of those areas, but now only at the elementary level. However, many of the issues are very similar issues as the higher education level.

Mr. O'HARA. For instance, the law school aptitude test which has come in for a lot of criticism recently, it seems to me the question on that one is to what extent does this succeed in predicting graduation from law school in 3 years hence, or to what extent can you relate LSAT to admission to the bar. That takes it one step further.

That is what the law school is supposed to be for. That seemed to me to be a very simple design in terms of checking how well it works.

Mr. ELLIOTT. However, the very design means that it takes time since you do have to track a group of students through or you have to go back retrosepctively and look at some group of students who was there before. Your ability to see anything useful depends on the quality of the data.

Mr. O'HARA. But the long and short of your testimony is that you would prefer not to have specific mandates of the type found in part F of this bill.

You stand ready to be of reasonable assistance to the Congress in threshing out these kinds of issues.

However, you say if the committee's requests are reasonable and sensible and are the sort that would be of value to the entire educational community, your group would be happy to discuss those with the committee and see if we could——

Mr. ELLIOTT. Absolutely, Mr. Chairman. I would like to extend that a little bit more to say that it is very much a question of what the time frame is that the committee has available to get into the design questions.

I think very often people think that you are going to get some results from research and the time frame is just totally unrealistic.

We do not want the committee to find in 1980, or whenever the next renewal date is, that something you have planned on is not available. So those are important design questions which I think should be discussed by the committee.

Mr. O'HARA. I have one last question. Mrs. Chisholm, who was unable to be present but has a member of her staff present was hoping that I could ask if NIE might collect data on the pool of available women and minorities to higher education, suggesting there is at present only very soft data.

Mr. ELLIOTT. For employment in higher education? May I ask Dr. Scott to comment?

Dr. SCOTT. That question is directed at what is the pool of people who are produced, for example, by law schools? What is the pool of minorities and women who could then take positions in higher education. This data could be colleceted. It is not being done in a particularly orderly way just yet, but it certainly could be done.

Mr. COOKE. I suspect that it would be probably more a problem for the National Center for Educational Statistics than the National Institute of Education, however.

Mr. O'HARA. Mrs. Chisholm was suggesting that we contact the Center for Educational Statistics.

Mr. COOKE. One other place the data might be available and where they might be already collecting it is the Office of Civil Rights.

Mr. ELLIOTT. I think the American Council on Education also. We can check several sources to see.

Mr. O'HARA. Mr. Eshleman?

Mr. ESHLEMAN. Thank you, Mr. Chairman. Mr. Elliott, you lost me on your monetary figures. At the beginning of your testimony, I get $26 million annually, and at the end, you say $80 million. What is the difference?

Mr. ELLIOTT. $80 million is the total figure that is being requested by the President for NIE for fiscal 1976.

The figures we used at the beginning are a combination. One is $9 million of total funds they would be spending out of the 80 million just for postsecondary issues.

The other 17 is the Fund for Postsecondary Education which is a separate appropriation.

Mr. ESHLEMAN. In other words, that 26 would be part of that?

Mr. ELLIOTT. Twenty-six?

Mr. ESHLEMAN. Part of the 80?

Mr. Elliott. No, only 9 of the 26 is part of the 80.

Mr. Eshleman. Then what is the 17?

Mr. Elliott. The 17 is the Fund for the Improvement of Postsecondary Education which Dr. Smith heads. That is a separate program in the Education Division.

Mr. Eshleman. I see. Could you explain then—I realize it is not definite yet, but your claims—your plans for the $9 million post secondary research?

Generally what plans do you have for that?

Mr. Elliott. There are several activities that are included in that. About a fifth of it is for the project at the State University of Nebraska which is intended to provide further access to higher education for adults and others who are unable to attend any usual university situation. It makes extensive use of technology, television, and other media.

Mr. Eshleman. In other words, that would be a part time?

Mr. Elliott. That would be for a part-time student who is able to earn credit through this highly technologically oriented program. It is a developmental program.

There are about $1 million in various issues having to do with competency-based education, problems of transferring credits from high schools to college when they are on a competency-based evaluation where you are measuring the abilities of the student rather than number of hours spent. There are many issues there of whether people are willing to accept those credits as equivalents of regular earned credit, how you measure them and what those kinds of questions are. That is about $1 million.

We have also included in that fund the project in Glasgow, Mont. which is a resident school for whole families providing post secondary level, vocational training for the wage earner in vocational areas and education and training for their families as well.

It is a series of activities. Another one is the National Center for Higher Education Management System where the orientation is gathering data about management of institutions of higher education, especially about how money is used.

I do not know if you are familiar with that program or not. It is the so-called National Center for Higher Education Management-System, in Boulder, Colo.

Mr. Eshleman. I am new in this committee this year. The statistic I have, the average tuition for institutions nationally, was about $2,200 a year and that was for a private institution.

For the public, it averaged $450—have you ever made recommendation as to how we bridge that gap? What channels should our solutions go to? Have you ever made any recommendations on that problem?

Mr. Elliott. No. The National Institute of Education has not. Some of the studies it is doing or is proposing to do such as competency based education, might come up with data which might help people understand the problem.

However, the recommendations on that have been made by the Department or are being made by the Department rather than NIE.

Mr. Eshleman. I have never seen any. If they are in print, I would like to have them.

Mr. ELLIOTT. Mr. Cooke could comment on that.

Mr. ESHLEMAN. It seems to me that is one of our most pressing financial problems in postsecondary education. It has to be.

Mr. COOKE. Yes, sir. I think the administration hopefully will be out with a bill which hopefully will comment on those issues and propose some solutions to those problems.

Of course the Commission for the Fnuding of Postsecondary Education will have a lot of recommendations in there which are being considered in the development.

We will be glad to share whatever figures we have on that issue.

Mr. ESHLEMAN. That is all I have, Mr. Chairman.

Mr. O'HARA. Mr. Erlenborn?

Mr. ERLENBORN. No questions.

Mr. O'HARA. Mr. Simon?

Mr. SIMON. No questions.

Mr. O'HARA. Speaking on that last subject that Mr. Eshleman raised, one of the things I am interested in, as you know, is looking into the question of contracting.

It seems to me that in the first place, as you are all aware, I am vehemently opposed to the notion of increasing tuition of public institutions.

On the other hand, I am also sensitive to the fact that private institutions have considerable difficulty and I have heard the argument voiced on numerous occasions that if the State would give to the private institution the same amount of money it gives to the public institution per student, they could educate just as well or better.

A number of them would excel within particular areas of concentration and competency. The notion of contracting is one that is interesting to me.

How much sense would it make for a State, for instance, instead of expanding its public institutions, expanding its enrollments, to say to one of the private institutions that has excess capacity, we want you to take a certain number of students?

I know there would be lots of difficulty because you would have to make sure of the transferability and comparability of programs and courses and all kinds of things.

However, it does seem to me to be one of the approaches you could take in preserving the talents of private higher education that would not involve trying to make public higher education more expensive.

Ms. SMITH. We do have some experience with this. It is a little different form than what you just mentioned and there are other kinds of approaches too that we are now sponsoring.

However, one of the things we found that helps the private college program is to contract with vocational programs in either private or private institutions. It is possible then for the individuals of those schools to get both a liberal arts education and a vocational education without incurring the costs of major expansion within the college.

We have had some experience with this and it does seem to work. It has problems but they seem possible to overcome.

This has actually been done for a long time in the medical field where a State does not want to develop a medical school. It will contract with a private institution for medical school spaces.

Mr. O'Hara. Yes, we have a dental school in Michigan where that is the case.

Ms. Smith. This is the case in many schools within a State. It is also the case across State lines in many instances.

There is also some experience, I am not sure what all the factors in it were, but CUNY had more open admission students than it could handle.

It entered into negotiations and sought to contract for the additional students with private institutions in the area. Alhough the plan was never implemented, that kind of experience should be looked into in order to determine what the problems were that made it impossible for that to go forward.

There also is a fund-supported project in Henderson, Ark. in which a whole consortium of institutions provide a coordinated career program for all kinds of careers in vocational training which includes a State college, the department of education, the area vocational schools and several private trade and technical schools.

That looks like it is working well. In addition, more and more is occurring lately in the form of cross-registration. The capacity of a school is expanded tremendously by cross-registration between public and private schools.

One can also provide some financial return to the public institution or to the private institution for the students that are in excess of the instudent intake or outstudent flow.

A lot of these things can be done and some are being done sufficiently so we can take a look at what the experience is and get some clues for if not possible experiments, at least policy directions.

Mr. O'Hara. I was thinking specifically in terms of price competition.

Mr. Elliott. There are also several States that provide these grants so that students can go to private institutions. That experience must bring something to bear on this problem.

Mr. O'Hara. Varying amounts also.

Ms. Smith. The one I know goes up to $1,000 for each student and Illinois does the same thing. In those States, it is done on the basis—it originally started on the basis of need.

The Carnegie Commission recently came out with a proposal for tuition equalization of the same type, grants for private schools.

Mr. Erlenborn. We have not so far had too much trouble at the higher education level with the church-related school. Can we anticipate the same kinds of problems there that we have experienced with States where grants or tax credits to parents of students attending church-related schools have been found unconstitutional by the Supreme Court?

It has always rather amazed me that with the GI bill the Government gives funds to those attending church-related schools and seems to get by the constitutional test.

Some of our higher education programs do also but similar programs at the primary and secondary level have failed.

Have you any idea of what kind of problems we will get into in this area of church-state?

Ms. Smith. We have been, of course, watching that with some interest. So far the courts have not objected if the money goes to the student.

Mr. Erlenborn. But they have at the primary-secondary level?

Ms. Smith. Yes, at those levels. I am not sure what the difference is. It may be the difference in the division of the programs: At a church-related school the student can select his own programs in a voluntary way, while with most of the churchwide elementary and secondary schools, there are usually required religious elements that go along with the education. This the only difference I have been able to note; I think it could be argued at the higher education level that the education program is much more within the hands of the student.

Mr. Erlenborn. Have you factored into your thinking for the future the reducing population of those who are in the traditional age who are attending postsecondary institutions?

It is a rather sharply descending curve; is it not?

Mr. Elliott. The college age group population is changing, though in terms of attendance—while that group is going down, there are more adults coming into programs overall, and enrollments are still holding up.

Obviously there is a change in age mix that is going on right now in higher education.

Mr. Erlenborn. The older students who are coming into the postsecondary educational experience are more heavily weighted toward the community colleges and the vocationally oriented institutions; are they not?

Mr. Elliott. That is generally true.

Ms. Smith. Generally true but there are some exceptions; for instance, Empire State College in New York has an average age of around 32.

The Minnesota Metropolitan State College in Minneapolis-St. Paul has a similar average. The bulk of their students are in the 25 to 40 group. The reason for that is that they have the kind of sensible program which allows students to both work full time and part time while attending college.

The student just leaving high school can also pay some tuition because the sensible arrangement makes it possible for them to earn some income at the same time.

Mr. Erlenborn. Thank you.

Mr. O'Hara. Mr. Simon?

Mr. Simon. Mr. Chairman, my apologies for being late. I was not here for the full testimony but since we seem to be wandering in the field a bit, one of the things that has always struck me in talking about the GI bill is that the GI bill was originally preceived as a gift to veterans. It turned out to be a tremendous investment. Yesterday a girl stopped in my office who was a student at Southern Illinois University and will probably have to drop out in August because of financial difficulties. And it seems to me that maybe we ought to be thinking about a kind of universal GI bill for everyone. This would take care of Elmhurst College in Mr. Erlenborn's district and Greenville College in my district.

It would help those who are not veterans, who, in our society, are not being assisted and face some real problems. It might be, as the GI bill was, a tremendous investment in our own future—I do not know what kind of costs we are talking about, but it just seems to me this whole area should be looked at.

Mr. ERLENBORN. Would the gentleman yield?

Mr. SIMON. Yes.

Mr. ERLENBORN. That certainly has a great deal of appeal, but I think we should also be aware of something I heard on the radio this morning and I guess it is not all that new.

We are graduating from our institutions of higher education currently and anticipated for the rest of this decade, more professionally and technically trained people than there are spots in the economy to accommodate them.

Mr. SIMON. I agree.

Mr. ERLENBORN. There have also been a number of observations that when you have universal access to postsecondary education you are making a degree from a college or university the equivalent of a high school diploma of 20 years ago.

Now more and more peole are going into a postdegree program, doctoral, or master's program, so that they can have the same kinds of advantages in the economy in looking for jobs as they used to have with a college degree.

I think all of this is also to be looked at in the context of the fact. We have a falling birth rate, fewer young people coming into the work force, and more people living past retirement age.

We are going to have fewer people supporting more. Witness the problems with social security. The whole thing is really quite complex.

Mr. SIMON. No question about it. Another aspect along the same lines you are talking about is that we do not want to create the kind of situation where, in our cultural, Mr. and Mrs. Smith think that their Jane and their Tom absolutely have to go to college or that they have to apologize to their neighbors about it if they don't.

However, I think that whole thing ought to be looked at and I do not mean to oversimplify it. I think Mr. Erlenborn's points is well taken.

Mr. O'HARA. Of course, you are going to get the high multiples of free education—in other words, if they want to go fine and if they don't, that is okay too.

Thank you very much for coming here. The subcommittee will adjourn and our next meeting will be at 10 a.m. on Wednesday.

[Whereupon, at 11:17 a.m., the subcommittee adjourned.]

THE STUDENT FINANCIAL AID ACT OF 1975

WEDNESDAY, MARCH 19, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 9:50 a.m., pursuant to call, in room 2261, Rayburn House Office Building, Hon. James G. O'Hara (chairman of the subcommittee) presiding.

Members present: Representatives O'Hara, Chisholm, Simon, Quie, Erlenborn, Eshleman and Buchanan.

Staff members present: Jim Harrison, staff director, Elnora Teets, clerk; Robert C. Andringa, minority staff director, and Webster Buell, counsel.

Mr. O'HARA. The subcommittee will come to order.

The subcommittee today is continuing its hearings on H.R. 3471, a bill to amend title IV of the Higher Education Act of 1965, particularly with respect to student financial assistance, and other bills dealing with other aspects of the same problem.

Our first witness today is Mr. Jack Tirrell who is vice president for governmental affairs of the American Association of Community and Junior Colleges.

Mr. Tirrell, welcome back before the committee. We would be very pleased to hear your testimony.

STATEMENT OF JOHN E. TIRRELL, VICE PRESIDENT FOR GOVERNMENTAL AFFAIRS, AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

Mr. TIRRELL. Thank you, sir.

For the record my name is John E. Tirrell. I am vice president for governmental affairs of the American Association of Community and Junior Colleges. We represent over 1,000 institutions in the United States that last fall enrolled in excess of 3,500,000 students.

My remarks this morning are in three categories. First is general agreement with many of the proposals of H.R. 3471; a section on some questions, and then at the end some alternatives we would like to put before the subcommittee for consideration.

Before proceeding I would like to make it very clear for the record that I do not today present an official AACJC position since we have not had time since H.R. 3471 was introduced on February 20 to have these important proposals reviewed by our decisionmaking bodies. As with most organizations of our kind, we have a commission on governmental affairs that will meet next April and they will make recommendations in view of our constituents' response. This goes to our board of directors which would review these recommendations and then we will have an official position.

However, Mr. Chairman, as you know we could not have prepared and helped three witnesses come before your committee, had the opportunity to participate in one of your closed seminars, listened to many other hearings and had hours of discussion with our member institutions without having some feelings of how they might respond. I had in mind as I prepared these remarks the chairman's words in introducing H.R. 3471 that there are "no revealed truths and there are no straw men * * *", and he looks to witnesses to "* * * identify imperfections and help us improve the product."

So could I move ahead. First I believe AACJC will applaud these proposed changes:

Significant grants on the basis of merit. That might seem to some of you to be unusual for community colleges that are identified with low income and minorities and heavy emphasis on occupational programs, but I think our members over the years can point to many outstanding people that have contributed to the society. I will mention just two very quickly. Ed Cole, the recently retired president of General Motors is one and Arthur Goldberg is the product of the Chicago Community City College. The recognition of this is terribly important and we applaud that recognition. Later I would like to make some comments on that.

As far as the basic education opportunity grants are concerned, we applaud the removal of the one-half cost limitation. We applaud the extension to include part-time students. We applaud the removal of considering assets in family support determination.

As to the State student incentive grants, the tenfold increase proposed in funding for grants, work study and assistance to no tuition or fee institutions is applauded. This language may be too restrictive in that a student activity fee voted by the students might exclude an institution.

Mr. O'Hara. I just want to interrupt to say that was a drafting oversight.

Mr. Tirrell. I hope the subcommittee will recognize we read it carefully.

We applaud the proposal of trying different formulas, since those currently used for the college-based programs are unsatisfactory and the regional review panels are a travesty—and that word is selected carefully.

As I understand it, the Kirschling-Postweller formula proposed subtracts tuition, and I believe we would agree with the use of that formula even though it might provide no funds to a few States. I am told this morning by our experts that it is a couple of States.

TRIO, including veterans. Since our association has been a major supporter of the VCOI programs, I believe they will support this change. In fact, we have twice gone to Federal courts and sued to bring about payments. I believe we would support this in a wider group of observing students.

As far as the guaranteed student loan goes, I am sure AACJC will strongly agree with your statements about loans being a last resort. I am not going to read that quote but indicate that we certainly feel that grants and every opportunity to work and other avenues should be in preference to the last resort of loans.

Second, since students at 2 year colleges use only about 10 percent of the GSL funds, and we agree with your philosophy, our concern is more with the grant and work programs.

As far as work-study goes, we strongly endorse and believe that young people of America and in our colleges, many of them are in their 20's and even 30's, agree with the work ethic and are willing to work and study for part of their financial aid.

Second, we agree from recent experience that making the funding of work-study a threshold to BEOG funding is most desirable.

Three, we believe the provision and incentive to create non work-study jobs desirable.

Four, our colleges may not agree but I personally applaud the removal of the needs requirement. That is one of the things I will have to bring back to you later after we get feed back from our constituents.

Five, I personally approve using the minimum wage but again I must say our administrators who are under pressure to balance budgets may feel differently because, as I understand, in other Federal legislation there is a provision that they don't necessarily have to use minimum wage.

Six, I believe the provisions of not making work-study mandatory in relationship to curriculum is also wise.

We believe the encouragement of a few substantial programs in cooperative education is a wise move at least for now until there are more demonstrations of successful programs.

The general provisions, we want to extend our appreciation for the concern with "open admissions" and the changes in the language we requested to insure their eligibility. This is very important.

I see Mrs. Chisholm here this morning. Many of her institutions in New York are going to be important.

While the proposed tuition refund provisions, truth in advertising and other provisions seem desirable to us in the District of Columbia, this is an area where we will want a careful and broad involvement of our members before responding officially.

The proposed experimentation through the National Institute of Education and the four areas selected are probably one of the best innovations proposed as we see it.

If I could, I feel that our members even at this early date want us to raise about ten questions and they are as follow:

First, why is the BEOG maximum reduced? We presented this subcommittee data in the fall of 1973 on dependent and independent students in tuition free California community colleges and the budgets were $1,500 for dependent students and $2,500 for independent students.

The second question is, can you remove or modify the deadline of the requirement of post-April 1, 1973, for eligibility? That is not in the printed statement you have but as you know a number of our students are, like the whole million students in California, the average age of 27.4 years of age. Some of them took one course and then went into the military or one or two courses and went into 6 or more years of work and now they want to upgrade their skills and so forth and because of that requirement they are made ineligible.

Third, is it not inconsistent to turn $200 million over to the U.S. commissioner for a merit grant program in your comments on page H 966 in the Congressional Record of February 20? I quote:

> The more time I have spent in working with educational legislation, the less convinced I become that the Office of Education is able to make decisions better than, or as well as, State and local agencies.

Also, in view of the colossal ineptness of USOE in the basic grant program, I wonder at their ability to select merit grant recipients.

Four, might this merit program not be more effectively operated in the State?

Five, a subsidiary question might be, why not consider the merit program as a part of the SSIG program for what it is worth?

Six, is it wise to remove the only hope of institutional aid? In the last few weeks the extra authorization, almost $120 million, in college work-study has been funded and three have been serious discussions in the House Appropriations Committee to fund title VII—facilities—to provide jobs in the current economic situation. Further, as you probably know, the recently released Carnegie report recommends $800 million for cost of education by 1979-80 as a part of the "equality of opportunity student aid program"!

Seven, with the great instability in recent years because of the undelivered promises of BEOG and the uncertainty of funds for two of the college-based programs—by that I mean the administration not asking for funding and waiting for months to see if the Congress would fund it—we wonder how we can have faith in your hope? I quote:

> I very much hope that those who predict that such an amendment will mean that fewer students will get loans are right. I hope that fewer students will get loans, because more students can get grants and work opportunities, and there will be more inducement for the States to use their resources to reduce the inflationary trend in tuition and fees.

We hope with you, but with this uncertainty that has been in the air the last year or so about BEOG not delivering and the like we are uneasy.

I am a little bit uncertain in eight. Is the language concerning veterans in the expanded TRIO program intended to be restrictive by references to those qualifying for vocational rehabilitation?

Nine, if we demonstrate in later testimony some successful community-service learning programs, is it possible it might be retained in title IV?

The last of the questions, why the conservative authorization figures?

I realize, Mr. Chairman, you now serve on the Budget Committee and so forth but I still ask the question.

The college-work study and the title VII examples we mentioned earlier are one rationale for including real "need" figures rather than what might be funded in the current climate. For example, I would encourage a review of the figures that there may be a decline in VA payments to college students of over $2 billion by 1979–80 from the current levels of payments that might be used in these kinds of financial aid programs.

Finally then some alternatives for consideration, and if they seem to gain the support of our membership we would like to present additional data later.

(1) We would like to see, I believe, directing BEOG funds to cover noninstructional costs.

(2) The raising of the maximum to at least $1,800 in BEOG.

(3) As I mentioned just a minute ago, to maybe have a plan for a careful, phased use of the $2 billion not used by 1979–80 for VA benefits for student aid.

(4) Do not make major changes now in the three college-based programs that are known, successful in getting funds to students, and give some stability to student aid. I would like to make a comment about that at the end.

(5) In fact I would like to have the subcommittee consider the comments made by Congressman Quie in two or three presentations in January 1975. The quote is there but as I am sure many of you know he suggested on these three public occasions that the three college-based programs be in one grant and have the packaging and greater flexibility with the officers sitting down across the table with the individual student. I am sure our institutions, particularly financial aid officers, would share that.

(6) As I said earlier, we believe there is a need to change the three different formulas used for SEOG, CWS, and NDSL and to develop a procedure to abolish the regional review panels. We would like to see one formula to direct funds from the Federal Government to the institution, or at least to each State.

(7) As I said earlier, we believe there are great possibilities in community service learning and at a minimum would request retaining the current provisions in title IV possibly by removing the veterans preference and emphasizing that with the TRIO programs.

(8) We believe the National Task Force on Student Financial Aid will have substantial recommendations soon on a common form and a common need analysis that should aid in simplifying some of the current problems.

(9) I have served on the task force on the disadvantaged and I have a 200-page report that some of you might like to look at. I would encourage you to consider an expansion of the Educational Opportunity Center concept to be an umbrella for talent search and outreach programs. Special service programs would remain as a part of institutions, and I believe that is quite consistent with the task force on the disadvantaged. We will probably have an opportunity to testify at another date on that.

(10) Without belaboring you I would just like to put in the record an editorial from the May 29, 1974, New York Times entitled "The Student Aid Hoax."

[Material referred to follows:]

[From the New York Times, May 28, 1974]

THE STUDENT AID HOAX

The inflationary rise in college tuition is a direct threat to higher education for students from poor as well as middle-income homes. In the public and the private sector, costs to the student are mounting astronomically. Yet the Federal Government seems determined to accelerate the inflationary trend.

Three years ago the Carnegie Commission on Highr Education recommended a formula to aid students and institutions simultaneously. Modeled on the concept of a guaranteed annual income, it would automatically entitle to scholarship aid any college-age student whose parents' income is below a set minimum. At the same time, *every college would receive a cost-of-education grant for each federally subsidiged student.*

The Nixon Administration subsequently incorporated this sensible plan in its 1972 higher education aid package. Although approved by Congress, the program has never been fully funded.

Now the Administration has asked for the full funding of the Basic Opportunity Grants (B.O.G.) at a level of $1.3 billion, while not only scuttling other important grants and loans, but without making any provision for cost-of-education grants to institutions—a fatal defect.

The plan to link aid to the students and to the institutions is a tandem that cannot run successfully on one wheel. Aid to students does nothing to solve the institutions budget problems. The colleges' only alternative then will be to raise tuition, thus wiping out the gains promised to the students.

What makes the Administration's piecemeal approach to the problem particularly deplorable is the fact that the original prescription had been so sensible and so easy to implement. The elimination of institutional aid turns a constructive proposal into a cruel hoax. The effect will be a mirage of new student aid that will evaporate into the thin air of inflation, while the colleges' economic foundations crumble.

Mr. TIRRELL. (11) We would propose that new GSL loans not have the interest paid by the government while the student is in school. The student could either pay the interest or have it added to the principal for later repayment. This should, over a period of years, make most of the $315 million now going each year to interest payments available for other programs.

(12) In this regard I know at least with the chairman we have a difference of opinion about this GSL and the interest payment. I want to take a portion of the funds proposed for NIE experimentation. Take a portion of the funds, maybe 10 percent or $5 million, to test whether the interest payment is the major factor in banks making GSL loans.

In closing this formal part I want again to assure the subcommittee that AACJC believes it is most desirable to have open discussions about various alternatives for Federal student aid policy. Later this spring, after our commission on government affairs and board of directors have had an opportunity to respond, AACJC will have an official position on the present and proposed student aid programs.

If I could before I close, in attending the first hearings I heard the ranking minority member, Mr. Eshleman, talk about I think it was four questions and I think the first one as I recall was about the focus on Federal or State institutions. I think that was the thrust.

I think that it probably is going to have to continue for some time as a partnership and some of these innovative and new programs should retain strong Federal direction or control until we are sure the objectives are being carried out. I think a good example is BEOG. To turn that very desirable program over to the States, it might have had even more promise than we have now.

Secondly, on the other hand, the institutions in many of these programs are in the best position to tailor individual packages of student aid for individual students, but the States, in the final analysis, at least as I understand it, had a major responsibility for education. As these programs grow in size, a coordinating, a planning kind of function for the use of the funds and/or as the programs are proved even might be turned to more direction by the State. That might not be a good answer to your question but I just honestly can't say what should be Federal or institutional at least from our point of view.

The second one was the general policy to promote low tuition. My answer is yes. All you can do, I encourage you to do. Some might not agree with that but I think personally in our association it would be very desirable.

Third was the matter of private colleges undertaking responsibility for education, and I think through the programs it might help them. It certainly is very fine and desirable. I would just like to say, however, that some public members, as well as private, are historical arguments and were put in areas that 100 years ago might have made great sense to train ministers and the other major functions of that time, but by their location and some of the public ones with preacher training institutions that you put in small towns around the State so you have a supply of teachers. That is not necessarily targeted to save the State college, that is in the area for the seventies as it is necessarily to staff a private institution just because it is a private institution.

We would hope—and I think this is a major thrust of this bill—that the students and their parents, with some financial aid, might select which institution to go to which would serve them; and if it is a private institution in a rural populated area and they want to go there, fine. If not, then some of our public institutions as well as private may have to redirect their major missions.

Since this was prepared almost a week ago, I would like to make a couple more comments. I think that the proposal, H.R. 3471, has directed itself to two very difficult, but very important, problems. One is the extension of law- or no-cost postsecondary opportunity to the widest possible student body. Our distinguished presidents of those turn of the century Johns Hopkins and Stanford proposed and thought within a short time that kind of thing would develop in this country. It has not as yet, but I think this very proposal and your prompting of discussion of it may hasten that day and we would applaud that.

Secondly, the recognition that the cream of our intellectual excellence in this country is a national resource that deserves encouragement and development maybe beyond any others and I say even oil and natural gas because the development of that intellectual resource may solve the energy problem and maybe they won't have to look for oil actually. I think it is very important to remind the Nation of this and to promote this discussion.

I could not help but think that in my youth the appointment to the military academy was sort of the recognition of some of the excellence, and I know thinking back that some of my colleagues tried to get the Eagle Scout Award because that would help them on their record for some of these recognitions and they would work very diligently in the classroom for some of those academic excellence awards. As I became a young college administrator, the National Merit Awards came along and that was a recognition of outstanding high school intellectual excellence.

Mr. Chairman and members of the subcommittee, the major rewards in high school have been those in connection with physical development and the matter of being 6 foot 6—that was 10 years ago; now 7 feet—and having a little bit of motivation and so forth. Those are the people that are pursued by 200 colleges. The young man who selected his grandparents well and has the genes to become 250 pounds and can run the 100 yard dash in 5 seconds is the one who is pursued by colleges and gets the recognition.

I have five youngsters, a number of them in high school or just out of high school. To some extent the high school valedictorian is left on the sidelines. So we would cheer, regardless of whether it immediately can be brought forth in this form, the prompting of discussion about this excellence.

As I said earlier and I would like to repeat in closing, as I travel around and talk with our colleges about the economic uncertainties and the pressures on unemployment and our kind of colleges, we have a lot of young people—and some not so young—who are under the pressures of unemployment. One of the greatest things we need is stability right now.

As I said earlier, the lack of delivery of BEOG, the waiting for months to see whether SEOG and NDSL might be funded has reindicated a lot of uncertainty. So I close with two things if nothing else comes forth.

One, I would encourage you to try and have BEOG prove itself. Remove the one-half cost direct to education, requesting, of course, the triggering mechanisms with the funding of SEA. I think that would help.

Secondly, for the college-based program have one formula for distribution to the institutions, not three State formulas and the travesty of the review panels. Try, if you could, to have these three as a package giving the greatest flexibility as possible to the campus financial aid officer face to face in contact with the individual and his community to tailor the best possible program for the individual student.

Thank you, Mr. Chairman.

[The prepared statement follows:]

PREPARED STATEMENT OF DR. JOHN E. TIRRELL, VICE PRESIDENT, GOVERNMENTAL AFFAIRS, AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

Mr. Chairman and Members of the Subcommittee: My name is John E. Tirrell, Vice President for Governmental Affairs of the American Association of Community and Junior Colleges, representing over 1000 institutions that enrolled over 3,500,000 students last fall. My remarks are in three categories: General Agreement, Questions and Alternatives for Consideration.

Before proceeding I must make it very clear for the record that I do not present the official AACJC position since we have not had time since H. R. 3417 was introduced on February 20 to have these important proposals reviewed by our decision-making bodies. Our Commission on Governmental Affairs will meet in mid-April and make recommendations in view of our constituents' response. Our Board of Directors will review these recommendations and then we will have an official position.

However, we could not have prepared and accompanied three witnesses before your committee, personally partcipated in one of your closed seminars, listened to other hearings, and had hours of discussion with many of our members across the country and not have some feelings about how our member institutions may respond. In preparing for these comments today I had the Chairman's words in introducing H. R. 3417—there are "no revealed truths and there are no straw men . . .", and he looked to witnesses to ". . . identify imperfections and help us improve the product."

GENERAL AGREEMENT

I believe AACJC will applaud these proposed changes:

1—Significant grants on the basis of merit.

Basic education opportunity grants

1. Removal of the one-half cost limitation.
2. Extension to include part-time students.
3. Removal of considering assets in family support determination.

State student incentive grants

1. The ten fold increase proposed in funding for grants, work-study and assistance to no tuition or fee institutions (this language may be too restrictive in that a student activity fee voted by he students might exclude an institution).

2. Applaud the proposal of trying different formulas, since those currently used for the college-based programs are unsatisfactory and the regional review panels are a travesty.

3. As I understand it the Kirschling-Postweller formula proposed substracts tuition, and I believe we would agree with the use of that formula—even though it might provide no funds to a few states.

TRIO—Including veterans

1. Since our Association has been a major supporter of the VCOI programs, I believe they will support this change.

Guaranteed student loan

1. I am sure AACJC will strongly agree with your statements about loans being a last resort:

"I am willing to have a loan component in the student assistance program, but I am deeply opposed to the currently fashionable effort to put most student financial aid on a loan basis. And I believe that asking those students to borrow who have come from the most economically deprived groups and who are going to have, whatever their education, a tougher time than most to find gainful and stable employment when they get out of school, is not offering them "assistance". It is offering them an anaesthetic to take away the pain of increased tuition. It is offering them the least defensible and least helpful kind of "assistance". It is adding to their burdens at a time when we should be trying to lighten those burdens."

2. Since students at two-year colleges ony use about 10% of the GSL funds, and we agree with your philosophy, our concern is more with the grant and work programs.

Work-study

1. Endorse the emphasis on work-study.
2. We agree, from recent experience, that making the funding of work-study a threshold to BEOG is desirable.
3. Believe the provision and incentive to create non work-study jobs desirable.
4. Our colleges may not agree, but personally I applaud the removal of the needs requirement.

5. Also. I personally approve using minimum wage; our administrators under pressure to balance budgets may feel differently.

6. I believe the provisions of not making work-study mandatory in relationship to curriculum is also wise.

Cooperative education

1. Personally believe the encouragement of a few substantial programs is a wise move—for now.

Part F—Genreal provisions

1. AACJC appreciates the concern with "open-admissions" and the changes in language we requested to insure their eligibility.

2. While the proposed tuition refund provisions, truth in advertising and other provisions seem desirable to us in D.C., this is an area where we will want a careful and broad involvement of our member before responding officially.

3. The proposed experimentation through the National Institute of Education, and the four areas selected are probably one of the best innovations proposed.

QUESTIONS

I feel quite confident the AACJC membership would want me to raise at least the following ten questions—even at this early date.

1. Why is the BEOG maximum reduced? We presented this Subcommittee data in the fall of 1973 on dependent and independent students in tuition free California Community Colleges and the budgets were $1500 and $2500 respectively.

2. Can you remove, or modify, the deadline of past April 1, 1973 eligibility?

3. Is it not inconsistent to turn $200 million over to the U.S. Commissioner for a merit grant program and your comments on page H 966 in the *Congressional Record* of February 20? The quote is "The more time I have spent in working with education legislation, the less convinced I become that the Office of Education is able to make decision better than, or as well as, State and local agencies." Also, in view of the colossal ineptness of USOE in the Basic Grant program, I wonder at their ability to select merit grant recipients.

4. Might this merit program not be more effectively operated in the state?

5. Why not consider the merit program as a part of the SSIG program?

6. Is it wise to remove the only hope of institutional aid? In the last few weks, the extra authorization ($119.8 million) in College Work-Study has been funded, and there have been serious discussions in the House Appropriations Committee to fund Title VII (Facilities) to provide jobs in the current economic situation. Further, the recently released Carnegie Report recommends $800 million for Cost-of-Education by 1979-80 as a part of the "equality of opportunity student aid program"!

7. With the great instability in recent years, because of the undelivered promises of BEOG, uncertainity of funds for two of the college-based programs, etc., how can we have much faith in your hope? I quote:

"I very much hope that those who predict that such an amendment will mean that fewer students will get loans, because more students can get grants and work opportunities, and there will be more inducement for the States to use their resources to reduce the inflationary trend in tuitions and fees."

8. Is the language concerning veterans in the expanded TRIO program intended to be restrictive by references to those qualifying for vocational rehabilitation?

9. If we demonstrate in later testimony some successful community-service learing programs, is it posible it might be retained in Title IV?

10. Why the conservative authorization figures? The CWS and Title VII examples mentioned above are one rationale for including real "need" figures, rather than what might be funded in the current climate. For example, I would encourage a review of the figures that there may be a decline in VA payments to college students of over $2 billion by 1979-80.

ALTERNATIVES FOR CONSIDERATION

At a later date, if our membership supports these positions, additional data will be furnished.

1. Directing BEOG funds to cover noninstructional costs.
2. Raising the maximum to $1800 in BEOG.

3. Plan a careful, phased use of the $2 billion not used by 1979-80 for VA benefits for student aid.

4. Do not make major changes now in the three college-based programs that are known, successful in getting funds to students, and give some stability to student aid.

5. In fact, consider the comments by Congressman Quie in two or three presentations in January, 1975. I quote:

"At this point in time, I agree with those who say we should not do away with the SEOG Supplemntal Education Opportunly Grant (SEOG) program. I also agree that federal contributions to the National Direct Student Loan (NDSL) program should not be stopped until we have experienced a few years of consistent performance in a restructured guaranteed student loan program.

"But I think the sophistication of institutions and of the financial aid officers has progressed to the extent that we can consolidate the funding of these two campus-based programs and the work-study programs. Each campus should be given the flexibility to determine how, within broad federal guidelines, it wishes to use a lump sum of federal money for student aid—in grants, work programs or additional contributions to the NDSL program.

"Congress has appropriated a total of $870 million for the three campus-based programs next year. I would like to see these three appropriations consolidated into one grant and distributed on a fair simpler formula to each institution. We should *eliminate* the quite arbitrary state allotment formulas; the guesing games that financial aid officers play with varying degrees of skil in making annual requests for each of these programs; and the peer review panels at the regional level.

"I was long under the impression that institutions, if given this much flexibility in the use of federal funds, would use most of the money for grants, then work-study and, last, loans. The experience we have gained in recent years and some initial feedback we have had on this idea suggests that may not be the case.

"Another major advantage of going to a simpler consolidated program is timing. We should be able to allocate federal funds to institutions in December or January of each year rather than April or May. That alone is a worthy goal in designing new legislation."

6. We believe there is a need to change the three different formulas used for SEOG, CWS and NDSL and to develop a procedure to abolish the Regional Review Panels. We suggest one formula to direct funds from the Federal government to the institution, or at least to each state.

7. We believe there are great possibilities in community service-learning and at a minimum would request retaining the current provisions in Title IV (maybe removing the veterans preference).

8. We believe the National Task Force on Student Financial Aid will have substantial recommendations SOON on a common form and a common needs analysis that should aid in simplifying some of the current problems.

9. I have served on the Task Force on the Disadvantaged, and I would encourage you to consider an expansion of the Educational Opportunity Center concept to be an umbrella for *Talent Search* and *Outreach programs*. Special Service program would remain as a part of institutions (digest provided).

10. I would like to place in the record an editorial from the May 29, 1974 *New York Times* entitled "The Student Aid Hoax", rather than at this time belabor the need for cost-of-education funds.

11. We would propose that new GSL loans not have the interest paid by the government while the student is in school. The student could either pay the interest, or have it added to the principal for later repayment. This should, over a period of years, make most of the $315 million now going each year to interest payments available for other programs.

12. In this regard, why not add a fifth area for experimentation for NIE? Take a portion of the funds, maybe 10% or $5 million, to test whether the interest payment is the major factor in banks making GSL loans.

In closing I want again to assure the Subcommittee that AACJC believes it is most desirable to have open discussions about various alternatives for Federal student aid policy. Later this spring, after our Commission on Governmental Affairs and Board of Directors have had an opportunity to respond, AACJC will have an official position on the present and proposed student aid programs.

I thank you for your time and, if desired, I would be willing to try to respond to any questions.

Mr. O'Hara. Mr. Tirrell, thank you very much. You truly warmed my heart with your statement. You found some faults with the bill—this is not surprising, everyone else has. What I like is that you have captured the thrust of the proposal and you agree with the direction in which the Chairman is trying to head. I was particularly pleased that as the spokesman of your association you are speaking for yourself as the vice president for Governmental Affairs of the Association of Community and Junior Colleges and that you agree with what some see as too inconsistent things in my bill which is that first off my top priority would be education for the masses, make low cost education available to the people whatever their success or failure in school might have been up until this time.

That is why we talk about open admissions, whether or not they are at the traditional college going age or whether or not they are able to go full time or only part time; in other words, to open up education to all of our people and make it easily accessible and easily attainable. That is my first priority.

Also I think that it makes some sense in terms of our national interests to make special provision for those who are in need of assistance and also have the greatest academic talent. I don't see anything inconsistent with having those two side by side and I am glad that you don't and that you agree with those two approaches. I am very pleased with that.

The authorization levels and so forth, yesterday we had a little bill up, as you know, before the House on reallocation of some work-study funds within States. I made some remarks in that context by that great device of extension and revision—being a Member of Congress means never having to say "I wish I had said that" because you can say it tomorrow.

I did say that events have already out distanced my own bill. When I drafted this bill for introduction last month I believed that the best we could do with work-study was gradually to increase its authorization and try to assure full funding in fiscal 1975. This House in passing the Employment Appropriations Act last week gave the appropriate funding of this program for the summer just ahead of us and for the year that follows.

The testimony before my subcommittee indicates that there is a greater need for and capacity to handle work-study funds in fiscal year 1977 and thereafter than I anticipated when I drafted H.R. 3471. I expect on the basis of that testimony to offer and have accepted amendments to my own bill increasing the work-study levels I proposed last month. I hope that this program will, now that it has reached full funding, continue at that full funding level. So I have likewise seen the way the wind is blowing.

Mr. Tirrell. Can the record show I was in Columbus, Ohio, yesterday debating vocational education so I was not led by your remarks.

Mr. O'Hara. I think you are perfectly right about that. We have to raise our sights on work-study at least and on some other things.

Mr. Tirrell, there is a very fine attendance today so I am not going to ask all the questions that I might but I would like to yield to other members so they have an opportunity to ask you questions.

I will yield to the gentlewoman from New York, Mrs. Chisholm.

Mrs. CHISHOLM. Thank you very much, Mr. Chairman.

Since you do praise the inclusion of the merit grants and the elimination of the need requirements for work-study programs, would you say that the AACJC is moving away from the position of equal access and opportunity for all students in postsecondary education regardless of family background? In the college-work study program currently only the needy are eligible. H.R. 3471 opens this up to all students. Low-cost loans can now be obtained from the college. H.R. 3471 is making it necessary to go to some kind of commercial lender, and you know that poor people and economically deprived people have a very hard time getting loans because of the absence of collateral and all of the things that we know are so terribly important.

I recognize that we are going through very trying times; we are in an economic crunch. But somehow I get the feeling that the merit grants and the elimination of a need requirement for work-study programs seem in a subtle way to be moving away from the position of granting access and opportunity for those students who are really at the very bottom. I would like to hear your reaction to his. Maybe I am wrong.

Mr. TIRRELL. I don't think you are wrong but I appreciate the question because I think I can sharpen our position. First, I think it is quite clear, Mrs. Chisholm, that we are not agreeing with the chairman to do away with SEOG. We ask in two or three places to continue the SEOG. We applaud the merit kind of thing sometimes, maybe in the SSIG and the policy of doing this. I made the comments about it but I think it is clear to the chairman we are not agreeing that it replace an SEOG.

Second, I think at least a couple of times in our testimony we do not agree currently with the doing away of NDSL, the kind of loans that you are speaking of that we don't like to use, loans in our institutions with high-risk students. But if we do have to use loans, those are much more convenient and lower interest rates and so forth.

I like my job and I like working for the association and I would not be back here next month and certainly next fall if I did propose the kind of thing you had an uneasiness about because one thing I do know almost 100 percent, there are always a few. The matter of access and the matter of serving people, whether high school valedictorians or not, and if they might be 30 years of age and a working mother that wants to upgrade her skills, those are the kinds of students we have a tremendous commitment to and would want these financial aid programs.

The other part of it, however, I think even low-income students from minorities who have a part-time job and the like might conceivably be ruled out of some of these programs and college work study if they wanted to return full time. We look at their income. I think a broadening of the base of that and some higher income students not having to tie a big stone of a loan around their neck by college-work study might be desirable. That is what is pointed out, not turning our back on a long time and a very strong commitment to these areas you are speaking of.

Mrs. Chisholm. Just one other question. On page 1 of your testimony under the basic education opportunity grants you indicated the removal of considering assets in family support determination. Would you expand on that just a little bit?

Mr. Tirrell. Well, I think people with a small farm and so forth, that you count that as an asset that can be liquefied easily and used, it is not realistic. Even a social security recipient that might own a small home, they would count that as an asset they can use to pay their youngsters' college tuition with is not realistic. Certainly as I understand it, those kinds of assets like the "Mom and Pop" grocery stores, they cannot sell off $20,000 worth of goods on the shelf the next week and those are the kinds of assets that would not be considered. That is our intent at least.

Mrs. Chisholm. Just one final question. Do you suggest that in the legislation with respect assets, there is a very broad general statement, and that we should spell out in the legislation just exactly what we mean by removing assets in family support?

Mr. Tirrell. Yes. If the person has 200 shares of GM stock, I am not talking about that, and I believe that is the intent from a number of people's discussions.

Mrs. Chisholm. Thank you.

No further questions, Mr. Chairman.

Mr. O'Hara. Would the gentlewoman yield to me for a moment?

Mrs. Chisholm. Yes, certainly.

Mr. O'Hara. Of course if they had 200 shares of stock or bonds or a bank account, they would be earning money on it so the income limitations alone would rule them out even if we disregard assets. Really what we are talking about, we are talking about widows who are drawing social security and own an equity in a home. We are talking about children of low-income small farmers whose parents have an equity in the farm. We are talking about children of low-income relatively small businessmen, the "Mom and Pop" grocery store who have assets.

We think that very occasionally you are going to find someone who is the child of a parent who is eccentric, to say the least, perhaps mentally ill and has $200,000 tucked away in the mattress that they don't want to spend and that maybe this person then will get a grant and they should not. But we think that for every one of them that would come into the program that we would correct 10 injustices. I might add the people from the State of New York tell us that their program has been very successful since they quit counting assets and their need base is college grants.

Then, secondly, our proposed merit scholarship provisions, in order to receive a merit scholarship your income has to be low enough so that you qualify for BEOG. You cannot get a merit scholarship unless you qualify for BEOG and you cannot qualify for BEOG unless you are low income. So what we are talking about is still the lower income groups. What we are talking about is taking people who would otherwise get a BEOG grant who show great academic promise and giving them more than they would otherwise be able to get. I just wanted to clarify that point.

I yield to the gentleman from Pennsylvania, Mr. Eshleman.

Mr. ESHLEMAN. Thank you, Mr. Chairman.

I have only one question and I would also like to make a brief statement. I will make the statement first.

Mr. Tirrell, you in your statement said what well over half our witnesses have said so far and I cannot quote you exactly—that the hearings on the bills have come about so quickly that you have not had time yet to fully analyze them. I understand you would like to come back the second time. I can agree with this. I have not talked with the chairman but I assume he will give you this opportunity.

I just want to point this out. If criticism should develop later that this same subcommittee is moving too slowly, then I would hope these national organizations would speak out publicly explaining that they asked to come back the second time; they asked us in effect to slow down a little. I wish they would remember that.

Mr. TIRRELL. We are on the record, sir.

Mr. ESHLEMAN. OK.

Now if I have heard you correctly, I think you said in effect—that aid in this bill, whatever the final form is, and I guess no one can say what final form or forms student aid is going to take, but you would rather see most of it student directed rather than institution directed. Would that be a correct generalization?

Mr. TIRRELL. To just restate it a bit, yes, student directed with a very good cost of education institutional component.

Mr. ESHLEMAN. No further questions. [Laughter.]

In any event this bill is one of two bills that I have introduced and the other has to do with the various forms of institutional assistance. You are not indicating that you have lots interest in title X, are you?

Mr. TIRRELL. Oh, no, of course not. We have not lost interest in some of the funds we are going to get for the National Science Foundation.

Mr. ESHLEMAN. No, I mean in terms of the student aid if it is three forms or five forms. However it ends up, you would think that most of that would be directed for student choice rather than institution?

Mr. TIRRELL. I am not trying to be wise, sir, but I think as I pointed out in a group of rather distinguished people in the report brief, it is a part of student aid and once the student chooses that institution the library is there, the resources are there, it is part of the student's access.

Mr. ESHLEMAN. Thank you.

Mr. O'HARA. The gentleman from Illinois.

Mr. SIMON. I am not as knowledgeable on these things as I should be as a new member.

Incidentally, what I like about your statement is that it is very specific and to the point.

Mr. TIRRELL. Thank you.

Mr. SIMON. On point No. 7, I would like to know how this regional review panel works now and what is wrong with it.

Mr. TIRRELL. I wish we could go off the record. [Laughter.]

As I understand it, that is the way to sort of weasel, isn't it? Let me give you a very specific example. One of our colleges in Oklahoma under the Freedom of Information Act asked the regional office in Dallas to look at all these reviews. This man was president of a new community college 5 years old. This college enrolled, as many of our colleges do, 6,000 students including a number of minority students, low income students in a major metropolitan area.

In the review panel materials he found a small college—I have forgotten whether it is private or public—of about 600 students that had been in existence 30, 40 years. Because of the kind of review panel, people sit down—you know, you can't review mine in Oklahoma because you are from Texas and I can't review yours. Over the years you kind of lean heavily for mine and I kind of lean heavily for yours and the 600 student tuition. I think it was a private college that got ten times the amount of money from these three college programs as the 6,000 student only 5 years old, public community college with the high percentage of minority and low income students.

Mr. SIMON. The regional review panel then actually allocates funds?

Mr. TIRRELL. Well, they review the test and test their credibility. That is why the older institutions have been at it some time and tend to do very well. I might say for the record——

Mr. SIMON. You are on the record in both instances.

Mr. TIRRELL. This time.

The senior Senator from the State of Washington who has a considerable amount to do with appropriations in the Senate—and regional review panels and he is writing to question and challenge some of the operations in that region that particularly affect his State. I think if you will ask this question of some other witnesses and so forth, it is not just our kind of institutions that necessarily feel that way.

Mr. SIMON. What you favor is just a fairly rigid Federal formula that goes directly to the institution?

Mr. TIRRELL. Conceivably could be, sir, on the basis of numbers of BEOG and college-based dollars. I did not, as I said, pick the word "travesty" just lightly or frivolously; I think it is bordering on that.

Mr. SIMON. Thank you.

I have no further questions, Mr. Chairman.

Mr. O'HARA. Mr. Erlenborn.

Mr. ERLENBORN. Thank you, Mr. Chairman.

Mr. Tirrell, your page 5 of your statement you ask the question:

> Why the conservative authorization figures? The CWS and Title VII examples mentioned above are one rationale for including real "need" figures, rather than what might be funded in the current climate.

I think we have some other examples also under the Elementary and Secondary Education Act. Two years ago we had a highly effective and professional effort called the emergency committee for full funding. The concept that they put forth was that the Congress made a promise when they set authorization figures and unless we appropriated the money to meet those authorization figures we have not fulfilled our promise. If you extended this concept to all programs authorized and we were to fully fund them all, I think our budget this year would not be approaching $360 or $370 or $390 billion but might be three or four times that amount.

I would be happy to hear your observation.

Mr. Tirrell. I think the Chairman's comments, when he put the bill in, are germane and you are saying that some of your colleagues and also some of us, that the authorization should have some possibility of being appropriated and some type of reality. I just a moment ago chastized a bit the review panel. There is some waste, however. All these colleges do put in their individual college needs for college work-studies and then maybe you have to review them a bit but there is some reality of what might really be utilized in college work-studies and some of these others.

I think people say it would be nice to have $200 million put in so hopefully some of these, and this one specifically, would be appropriated. All I was suggesting was—and I take it by the Chairman's comment he has moved a little differently on that—that the authorization figure might be closer to the kind of funds that a 2,000 or 3,000 institution could use in this current year.

Mr. Erlenborn. My fear is that we could be whipsawed and be told at the authorization level, "these are not the figures we really anticipate to be funded but these are realistic needs, you fund them according to your ability." At appropriation time, then, the argument would get turned around. You have made a promise now and it is not morally right to renege on this promise by giving less than was authorized," we would be told.

Also on page 5, No. 3, you say: "Plan a careful, phased use of the $2 billion not used by 1979–80." This seems to assume that this is $2 billion that has been saved and is kind of lying there in a fund where it could easily be diverted somewhere else even in these days when we are facing a $70, $80, or maybe $100 billion deficit.

Mr. Tirrell. Well, as I am trying to put it forth here, currently right now about $2 billion is going to GI's and they are going into colleges and universities and proprietary schools and so forth to get their own training which as we have seen from the World War II studies not too many years ago with higher tax returned that much or more to the Treasury.

I am saying those funds deserve to go to get additional training and benefit so that by 1979–80 that $2 billion is being used for other deserving people and not necessarily taken out of the Treasury. It is a redirection. Quite frankly some of us worry that somebody by 1979–80 would dream up a new system and use the $2 billion rather than to train our citizenry in their manpower skills or maybe raise another submarine off from the Philippines or something.

Mr. Erlenborn. Well, that is a philosophical point where you and I would disagree. It could also be used to reduce the necessary amount of borrowing. If we get an $80 or $100 billion deficit this year, the money market system will not be able to stand the Treasury borrowing and we might go back to 12, 15, 30 percent interest rates. That possibility frightens me.

Mr. Tirrell. Well, sir, this is under alternatives for consideration. As part of the educational community we feel we have a responsibility, as do you and your colleagues, to evaluate the priorities of training our citizens and improving our manpower. As you balance and maybe cut down the deficit you will have some consideration. I maybe was too facetious a moment ago about evaluating the priorities of another missile system. The missile system will come first but maybe in our system the Treaury getss a deep rate. At least we are putting this on the record hopefully as a consideration.

I appreciate that because I think it does put it in proper context. You are not really looking at the Federal budget and saying that all of these suggestions ought to be fully funded. You are saying these are your needs, and then it is pretty much up to the Congress to make value judgments.

On page 6 you recommend expanding the educational opportunity centers. Do you believe that it would be wise to expand these to make the services available to all students, rather than as at present to low-income disadvantaged students only?

Well, to all students—maybe I would say to all citizens—I think the day is probably past talking about 2-year education and 3-year education. It is more and more becoming lifelong education. Certainly we see figures where people—and we already have them—may have to be retrained twice or three times in their lifetime. So this includes the 40-year-old and not necessarily the corporation executive because he has some other ways to do it.

Mr. ERLENBORN. A recently widowed mother who must begin a new career and needs some new training.

Mr. TIRRELL. Yes. I say all citizens, not necessarily all students. I think we have 12 pilot programs around the country right now in operation with our Dallas Community College but it covers about five counties in that area. Some of the Chicanos and Indians that cannot necessarily get to the campus and don't even know of it maybe in our system the Treasury gets a deep rate. At least we are right into their neighborhood areas and they have some storefront and shopping center areas. That is the kind of thing at least that I see evolving that might be quite desirable.

Mr. ERLENBORN. Thank you very much.

Mr. O'HARA. Mr. Buchanan.

Mr. BUCHANAN. Thank you, Mr. Chairman.

I would simply like to underline at this moment the problem presented by the gentleman from Illinois. I think most people who serve on this committee have a rather profound interest in education. I am a new member and came on largely because of the importance of this area of Federal spending and responsibility but it is a real problem as to whether we should base authorizations on a need basis knowing that full funding is not likely, given the limitations of revenues and other demands upon the Federal budget, or whether we should try to fulfill the appropriations function. In what has become a regular habit, there will be great political pressure on every Member of Congress for full funding of what we have authorized and the pressure will be increasing each year.

It would appear to me that if this committee is going to be responsible then we have to be more temperate and conservative in what we authorize. I would make it more within a range of what we are really sure the budget will bear, and it would appear to me there is some merit in your suggestion of authorization on a need basis. Now if you had your druthers, would you support need basis with the full understanding that this may not mean full funding when the time comes?

Mr. TIRRELL. I think it is only realistic at least as we see some of the recent history and current climate. But also being realistic, there are other people around this building today and certainly around this town that are imploring the Armed Services Committee and so forth to make those operations up there and it has got to your caucus and other places. I think we have a responsibility to bring to you information so that as you go into these discussions you may receive some realistic net kind of figures. On the other hand, it was mentioned a moment ago title X has had $150 million in there since 1972 and the authorization in college.

We have not seen any of it yet but certainly as you come up with amendments, even though we have not done anything about it yet we are certainly going to ask you to keep it because we believe there is evidence and at some point as recent as this economic crunch that $120 million was the way to get funds in the economy and maybe keep some peole off unemployment and so forth. So I think there has to be some balance there that they at least hope that you can hear.

Mr. BUCHANAN. Thank you.

Thank you, Mr. Chairman.

Mr. O'HARA. Thank you very much, Mr. Tirrell. We very much appreciate your testimony.

Mr. TIRRELL. Thank you.

Mr. O'HARA. We expect to be talking to you in the future.

Mr. TIRRELL. Yes, sir.

Mr. O'HARA. Our next witness will be Mr. Hugh W. Lane who is research associate with the National Congress for Minority Education.

Mr. Lane indicates the import of his remarks has the endorsement of the National Congress for Minority Education.

STATEMENT OF HUGH W. LANE, RESEARCH ASSOCIATE, NATIONAL CONGRESS FOR MINORITY EDUCATION

Mr. LANE. Thank you.

Mr. Chairman, members, and friends here gathered, I am grateful for the opportunity to comment on H.R. 3471. My remarks are my own; however, the import of them bears the endorsement of the National Congress for Minority Education.

I should probably add one or two things about myself that are relevant. I have been president of the National Scholarship Service and Fund for Negro Students. I was director of the national achievement scholarship program in the National Merit Scholarship Corp. for 4 years after it was founded. I am a former research associate and supervisor of research for the examiners' office of the University of Chicago. So my own interests in these problems is of some long standing and I may claim some expertise. I make these remarks, however, endorsed by the National Congress for Minority Education and not for any of the other groups with which I am associated.

My comments, while critical of the formulation expressed in the resolution, are offered as an expression of the "hard thinking, hard work, and hard bargaining, in a free and open forum," described by your chairman in his remarks of February 20, 1975.

Recent public policy as concerns student financial aid has been to assure access to post-secondary education in such a manner that no student is excluded by the barrier of lack of money. It seems to me that H.R. 3471 will fail to meet this purpose and indeed can be seen as a new or redefined public policy. I believe we should face the fact that we are formulating new public policy and it should be discussed in that manner.

H.R. 3471 frankly and forthrightly proposes to shift the purpose of these programs to utilize the leverage of Federal student aid in such a way as to encourage "the creation and utilization of low-cost educational opportunities."

This explicitly stated purpose runs directly contrary to the position taken by the Panel on Financing Low-Income and Minority Students in Higher Education in the 1973 publication, Toward Equal Opportunity for Higher Education. That particular publication said as follows:

> Equal opportunity demands, as the panel has noted earlier, equal access for minorities or parity of enrollment. Such parity will be achieved only when minority students of college age enroll in higher education at the same rate as similar age majority students. In the case of blacks, at least a doubling of their undergraduate enrollment is called for in order to match the proportion of blacks in the college age group. But access alone is not sufficient; equal opportunity also demands equalization in the distribution of minority and majority students among types of colleges and universities, and among types of programs. Simultaneous progress along both dimensions is essential to the goal of equal opportunity for higher education.

Now I happen to believe in the striking of the half-cost limitation so this next sentence is rather carefully written or it is a little complex.

The striking of the half-cost limitation coupled with the establishment of a BEOG maximum of $600 effectively delimits access for eligible students and directs them to low-cost institutions except in those cases where the BEOG as a threshold program is utilized by institutions using the BEOG as the building block for packaging a more costly program from SEOG, CWS or from institutional and/or private, financial resources, including State grant funds. I mean I hope the implication is understood that that is the only way I can see that it would work.

H.R. 3471 would establish the SEOG program as a full-cost post-secondary education vehicle for those students of academic promise admitted by institutions of higher costs which can use the SEOG to complete the students' financial aid package in the sense it is the elitest and provides choice for an elitest few.

Academic promise is defined as indicated by a national list of students who demonstrate high academic promise, with the National Merit Scholarship List in the mind of at least the sponsor of the bill. I might point to the concluding section of the bill under which the National Institute of Education would be directed to "enter into contracts with private, nonprofit agencies to study the feasibility of, to develop and to test, techniques of measurement of scholastic aptitude, academic promise, or likelihood of success in a given course of study which are free of cultural, socioeconomic, racial, religious, sexual and ethnic bias."

I end the quotation. That is from the bill.

Yet even while tacitly admitting the present non-existence of such techniques, the bill proposes to use the outcome of existing techniques—that is, national lists, biased as they are—as the basis upon which the SEOG program will operate.

Future generation of students barred by "cultural, socioeconomic, racial, religious, sexual and ethnic bias" may benefit from these feasibility and developmental studies. The entering class of 1977 clearly will not.

NEEDS ANALYSIS

I am trying to follow the structure of the bill and limit myself to those portions that bear upon financial aid.

The explicit failure to include assets among the criteria for determining "family contribution" excludes as a source for the financing of higher education the total of our national corpus presently or in the future defined as assets and thus leaves available for discretionary use all such holdings for families or persons prudent or fortunate enough to have developed such holdings. It should be clear that this special kind of providence is here twice rewarded and that the award or reward goes to persons and families of "higher" socioeconomic status.

I might point out that I certainly would urge that you look at better data or some data before deciding to leave assets out. A recent study I have looked at suggests that business assets, business families with assets, are concentrated in five States. Forty-seven percent of our business assets are in five States, 40.2 percent of our farm assets are in five other States. If you really are suggesting that we leave assets out, then this ought to be looked at very carefully and you ought to know exactly what you are doing because you are changing the nature of the game, you are setting public policy and you ought to know.

LOANS

To make it harder for students of restricted incomes to get loans to meet college costs through the device of phasing out the Federal insurance program—while holding the level of appropriation constant—with the modification noted to the BEOG and SEOG program, these combine to channel the low-income and minority student toward 2-year and community institutions of low cost providing perhaps access to higher education or post-secondary education but eliminating choice. This seems at best a step backward, and a deliberate one at that.

A comment on work programs. The Panel on Financing Low Income and Minority Students in Higher Education commented as follows on CWS. May I add a comment. In that memorandum we said that we were not even advancing the notion of a college work-study program because college work-study as it has been operated is neither work nor study so we simply left it out of our formulas though we are perfectly aware of it. Now we did go on and say something else.

> The existing Federal supported college work-study program is directed only to needy students who are obliged to work often for minimal compensation and often in jobs unrelated to their programs of study. In fact, the current program penalizes the poor, since participation in work-study is often a condition for receiving other forms of aid such as educational opportunity grants and national defense student loans. In addition, the student from a background of poverty most often can ill afford an added burden on his academic program; he is likely to be ill prepared for higher education and to need maximum time and energy to devote to his studies.

Now our suggestion was not really that CWS should be eliminated but that work as often as possible for this group of students should be related to the curriculum. Though I appreciated the chairman's remarks on the floor when he commented upon the young lady, the philosophy student from Simmons College, I felt they missed the point. We were simply saying that as often as possible work should be related to study and if work is not related to study, then it does not work to the advantage of the kind of student that we are talking about. We would not want a mandatory requirement that work must be related to study, but when it is related to curricular study we feel this opportunity should be afforded to the student.

It is possible to be critical of H.R. 3471 at almost every point, and yet strangely this should not have been so it seems to me. The procedures followed by the subcommittee were thorough. The testimony was of a high caliber. This raises the question of what went wrong.

I would like to suggest that the essential problem is the real one. I should add that I am also an elected member of the council of the College Scholarship Service. Some other deliberations you have been discussing, some actions we took earlier in the year in changing the curves—I am commenting on the changing of the curves and why we did it. I voted for it and I argued for it.

The aggregate need for student financial aid is greatly in excess of the amount appropriated to meet it. I mean this was a fact. The aggregate need for student financial aid is greatly in excess of your amount appropriated to meet it. H.R. 3471 fails to propose the obviously viable solution and the only one, the appropriation of funds sufficient to the aggregate need.

Rather its provisions spring from a philosophical genre that I hoped we had discarded in the 1965 legislation and advocates:

One: A threshold grant program which will effectively channel low income or minority students toward institutions with low or zero tuition policies.

This is the language of the bill.

Two: A supplemental grant program to involve some 40,000 students per year, such students beneath the BEOG threshold but identified as of "academic promise" and allow them the "choice" of higher cost 4-year institutions.

Three: Use of NIE contracts to stimulate the development of low cost alternatives to admitting students of high need to relatively high cost public institutions.

When I wrote these remarks I had a "well" in here. I said, well, this is the same definition of the problem and solution thereto put forward in 1970 by Professor Amitai Etzioni in a letter to the Wall Street Journal; to wit, and I quote:

> * * * If we can no longer keep the flood gates closed at the admissions office, it at least seems wise to channel the general flow away from 4-year colleges and toward 2-year extensions of high school in the junior and community colleges.

I hope as discussion of this measure proceeds we will move back to the language of "entitlement"—a word we argued about in the 1972 amendments and a word which is strangely missing from H.R. 3471. The word "entitlement" does not appear. We will move back to the language of entitlement, I hope, and formulate fully funded legislation at levels appropriate to aggregate need for student aid funds in such a manner that no qualified student will encounter the barrier of lack of money and that no segment of our population be arbitrarily excluded from certain types of institutions or designated for what I used to call limited opportunity.

I thank you for the opportunity to make these remarks and I trust that you understand they are in the spirit of hard thinking, hard work, hard bargaining in a free and open forum.

Mr. O'Hara. Mr. Lane, who is Prof. Amitai Etzioni?

Mr. Lane. He is a public thinker from Columbia.

Mr. O'Hara. Is he?

Mr. Lane. Yes.

Mr. O'Hara. And that letter you read from, what was the major burden of it?

Mr. Lane. The major burden at the time it seems to me was the notion that our pushing for full access to our public institutions was a dimunition of standards in higher education and that those of us who are already inside the fold should defend these standards, if necessary, by erecting, not barriers, but by channeling students from low income and minority backgrounds towards low cost institutions rather than letting them into our "better" institutions. The quotation is "better"; it is not my characterization of them.

Mr. O'Hara. Mr. Lane, what makes you think that that is my approach to the problem?

Mr. Lane. I do not think that is your approach. I am simply trying to look at the bill itself and trying to be exact about what I think its provisions will produce.

Mr. O'Hara. I am the one that wrote the bill.

Mr. Lane. I believe that this bill will have the impact that I am suggesting in this paper. I do not believe that is your intention but I believe that this is the impact this bill will have so I am suggesting that one look back at the bill from my perspective and decide whether it will have that impact or that it will not. I do not believe it is your intention.

Mr. O'Hara. Mr. Lane, I would like to just correct a few points.

Mr. Lane. Yes.

Mr. O'Hara. My bill does not provide for a BEOG maximum of $600, it provides for a BEOG maximum of whatever the maximum was in the year before the bill takes effect.

Mr. LANE. Sir, I believe your BEOG provided for a maximum which would be the average of the year before it took effect.

Mr. O'HARA. No, the maximum in the year before.

Mr. LANE. Yes, sir.

Mr. O'HARA. So that according to the latest estmates I have gotten from the Office of Education, and it keeps changing and one does not have a tremendous amount of confidence in your estimates about BEOG, but the latest estimates would be it would be $1,050. They came before the committee the other day and asked us to provide a carryover of BEOG funds into next year and they told us that they thought that if the carryover were adopted it would provide for a maximum of $1,400 next year and that would then be the maximum under my bill. Whatever it worked out to next year would be the maximum under mine so I don't really propose reducing the maximum except I propose pegging it at whatever the maximum was the year before.

Then with respect to the 100 percent thing. I notice that you say you are for 100 percent removal of the half cost limitation.

Mr. LANE. Yes, sir, I am for removal of the half cost limitation but I am not for the reduction of the maximum. The position taken by the minority panel, by the way, and the position I am expressing is that entitlement should mean access and that access should be defined as the ability financially to attend the 4-year publicly supported institutions, and that requires a grant program of roughly $2,000 a year per student. Anything short of that fails to really talk about access, it talks about something else. It talks about saddling or targeting certain kinds of persons toward other kinds of institutions.

Mr. O'HARA. Now you should be aware, Mr. Lane, that the principal objection that has been made to the 100 percent removal of the half cost limitation by witnesses before this committee and others who have not yet appeared before this committee, a removal that you and I agree that is necessary, the principal objection to it is that it would channel students into these low cost institutions. Now aren't you being guilty of the same thing you charged me with?

Mr. LANE. Well, I am not really arguing toward channeling them, I am arguing toward an increased appropriation at the level of a grant program of roughly $2,000 per student.

Mr. O'HARA. But the theory is that no matter what the maximum is—if the maximum was the $2,000 that your report recommended and 100 percent, in other words, no half cost limitation—that you will be channeling students to institutions where the total cost of attendance was $2,000 or less.

Mr. LANE. No, sir. I think we would be channeling them for our 4-year public institutions.

Mr. O'HARE. No, we would not. Right now the cost of attendance at a free junior college in the State of California is estimated at something in the neighborhood of $1,600. So you are saying it is evidently okay to channel students toward low cost institutions if you recommend it but not if this bill might have that effect, right?

Mr. LANE. Sir, I have not recommended channeling them toward low cost institutions; in fact, I am recommending the opposite. I am requesting that we not write legislation that says that our normal cost institutions are not appropriate for certain classes of our citizenry, and I believe this bill says that.

Mr. O'HARA. What kinds of institutions are not appropriate?

Mr. LANE. The bill says that we should develop low cost and nontuition—let me see.

Precisely it says, "Develop low cost alternatives to admitting students of high need to relatively high cost public institutions." I mean this is the NIE provision.

Mr. O'HARA. In other words, what we are saying is there must be some way to bring down costs and then make it easier for students of all income levels to attend school?

Mr. LANE. All schools.

Mr. O'HARA. Including especially students of restricted incomes to attend school.

Mr. LANE. To attend all schools appropriate for them, sir.

Mr. O'HARA. Yes.

Now I don't really consider that I am trying to exclude anybody from any kind of school and in fact I specifically provide full cost of education grants which is something that the old bill didn't talk about, that your report didn't talk about. I am proposing to make it possible for a number of students—in the neighborhood of 20,000 each year—who are eligible on a need basis for BEOG to have full cost of education grants, something that your report would have cut off at $2,000 which is not full cost of education anywhere except at a free community college.

Mr. LANE. Sir, you would use the SEOG program in order to assure choice for a limited few. Now in our proposal we were saying that Federal funds should be used at the grant level to assure access. We were not saying that the Federal obligation was to assure choice for anyone. We felt that the loan programs coupled with the institution's own resources, if they chose to keep their costs higher, that these should be used to assure choice but we did not feel that it was the Federal obligation to provide a full cost free ride for any student to any institution above those of average cost.

That is, if the student indeed wanted to go to an Ivy League school, we felt the institution had an obligation to use its endowment or loan funds which should be available guaranteed for that student in order to assure choice. So we did not think it was the Federal obligation as an on line item in the budget to provide choice but only to provide for the support of public education at the higher education level.

Mr. O'HARA. You indicate on your second page that "Academic promise is defined as indicated by a national list of students who demonstrate high academic promise."

I would like to correct that. We don't define at all. I said—but not in the bill—that they might use such a list. The bill does not define it as being that list. The Office of Education is free to develop methods of determining who are the students of high promise but they may use that list.

The reason we say they may use that list is we recognize that unless we gave them some reference point to an existing system that it would be many, many years before they would get out of the bureaucratic jungle for determining who the recipients should be and we might all be dead and gone by that time, so we thought we would give them something to use in the meantime while they are waiting for the doctor to come.

Mr. LANE. Sir, you gave them the National Merit Scholarship List as your example. I worked for that organization and a program called the national achievement scholarship program for outstanding Negro students established by an explicit grant from the Ford Foundation for the exact reason that the National Merit Scholarship List did not include many Negro students and you in your remarks mentioned exactly the program which did not include many Negro students and still does not.

Mr. O'HARA. Well, if it does not, certainly this is the first time that I have heard that it does not.

Mr. LANE. Then you have heard it authoritatively from the horse's mouth.

Mr. O'HARA. Are you telling me that the national merit scholarship finalist list does not include any Negroes?

Mr. LANE. Practically none, which is why the Ford Foundation provided $10 million to establish a different program within the same structure which is called the national achievement scholarship program for outstanding Negro students.

Mr. O'HARA. How does that work?

Mr. LANE. Well, originally it worked by not using the testing procedure but by soliciting nominations from principals, guidance people, admissions people, in the schools and in the Negro community in order to find out who the outstanding Negro students were. It happens they are not necessarily the high test scorers on the national qualifying test. I think this is public record.

Mr. O'HARA. Well, I am not aware. If that is so, this is the first time I became aware of it. I don't dispute that because I don't know if it is or it isn't and I certainly take your word for the fact that there are very few.

Mr. LANE. Thank you. Almost none.

Mr. O'HARA. But I think of course if you went to a need base thing using BEOG as your needs test that you would go further down on that list.

Mr. LANE. Well, if you go down 40,000, there are almost no blacks. The other problem is that such an examination is on a fee basis in the first place. I mean it is about $1.50 per student, so many of the people we would like to target on, do not normally take this examination, or those examinations in the high school, so we are charging them for admission for consideration by the fee device of a test. This becomes not an entitlement but becomes a kind of needs test or means test for access to what seems to be an entitlement. All right.

Second, if they qualify for the threshold under H.R. 3471, they must then qualify more on a series of measures all of which are also related to socioeconomic status. I do testify as an expert. Every score we can develop is related to socioeconomic status. So the higher they are on a socioeconomic scale or a scale of economic well being, the more likely they are to produce this thing that you are calling academic promise as measured by any instrumentation we have today which is why you are asking the NIE to try to develop other kinds of instrumentation.

Mr. O'HARA. Well, except that if you take this list it would have one particular difference and that is that in looking for your 20,000 you would look only at those whose income levels qualified them for BEOG grants so you would be drawing from a different kind of a sample. You would start off with your national merit scholarship list and you would immediately take off of it every one whose income level would not qualify them for a BEOG grant, and then when you looked at those that remained, I am not at all certain that it would under represent black students. Now maybe it would, maybe it would not, I just don't know, but I think there is a serious question about that.

Mr. LANE. Sir, the weight of my testimony, I would like it to be clear, is that I am predicting that it would under represent black students and that is the weight of my testimony. I don't wish to argue about it but that is what I am testifying.

Mr. O'HARA. In your statement with respect to the loans you indicate that my proposal would hold the level of appropriation constant on the BOG program.

My proposal places no ceiling whatsoever, it provides for the appropriation of such sums as may be required.

Mr. LANE. No. I am suggesting that the total financial aid provisions are roughly $1.7, $1.8, $2 billion, something like that, and that it holds the appropriation for student financial aid roughly constant so that if you don't appropriate more money you are really shifting the objects to get money. All right.

I am on record elsewhere as saying that the kind of financial aid program that I think the constituency deserves would be at the level of $8 billion per year. For instance, as long as we are talking about $2 billion per year, we are grossly underestimating the real aggregate need for post-secondary education and it becomes an exercise in what needs we can satisfy in any one particular year.

Mr. O'HARA. So you think we ought to write a program that envisages appropriations of $8 billion.

Mr. LANE. Yes, sir. I believe we should support higher education for the American people.

Mr. O'HARA. Then we should fight for an appropriation in the amount of $8 billion?

Mr. LANE. Yes, sir.

Mr. O'HARA. And if we lose, then what? Do you think this program as written for $8 billion would work very good if we got only $2 billion?

Mr. LANE. I do not believe we would lose, sir. I do not believe we should lose.

Mr. O'HARA. I am practically the father of the full funding fight, you know.

Mr. LANE. Yes, sir, I know.

Mr. O'HARA. I recognize the possibility that you could lose.

Mr. LANE. I know, sir. [Laughter.]

I am trying to support the position I think is really yours.

Mr. O'HARA. Thank you. [Laughter.]

The gentleman from Minnesota who is the ranking minority member of the full committee has indicated that he needs prompt recognition because he wishes to get over to the Rules Committee to testify against an amendment I offered to the School Lunch Act. [Laughter.]

I have a hunch that Mrs. Chisholm, the gentlewoman from New York, may let him go first.

Mrs. CHISHOLM. Yes, definitely.

Mr. O'HARA. Well, I was afraid of that. They ganged up on me.

I will yield to Mr. Quie.

Mr. QUIE. Thank you, Mr. Chairman.

I appreciate your testimony, Mr. Lane. I want to address myself to one point that the Chairman raised because I concur with practically all of your testimony. The one point is the one-half of cost. The Chairman indicated that if you drop the one-half of cost, no matter what level you set the entitlement, whether it is $1,400 or $2,000, the effect, it seems to me, is going to be similar to the G.I. bill. You are then having undue encouragement to attend a low cost institution.

We have the same situation, it seems, in many programs in elementary and secondary education. To give an equality of educational opportunity does not mean that you give the same dollar education to everybody. For some people to have an equality of educational opportunity it may mean that you have to spend twice as much money. I think the same thing is true of higher education, that the need of some students is a much more expensive education.

The purpose of the one-half of cost is what we put in last time so that one-half of cost would be—and I have indicated before that I am in favor of an entitlement—that the Federal Government pay the cost of whatever that is, just as we do in the GI bill. The purpose of the one-half cost is that every student then has to seek some other means of paying for a part of the education, not just with the entitlement.

The Federal Government even assists there with the SEOG, the work study, the NDSL, where the subsidized loans ought to come for convenience, plus other grants, State help and what have you. This is the only way, it seems to me, that the institutions which provide the additional opportunities for the students at the low cost institutions can really compete. They feel that they can compete if they can go out and hunt for a package along with everyone else hunting for a package. But if some institutions do not have to hunt for the package, then they are at an undue disadvantage.

Mr. LANE. Mr. Quie, I think I agree and my remarks are sort of grouping what I think the obligation is. I am not really suggesting that the Federal responsibility is to come up with the whole package. I happen to believe in or concur with the recommendations of the Carnegie Council which would end the bill which would increase the Federal contribution to the State and Senate grants because I think if more State programs get started and these increase that indeed the Federal contribution will be reduced and matched by State funds, et cetera, so that there is a whole package thing here in which I am not looking at any one piece of it. I am suggesting that there are alternatives to H.R. 3471 which ought to be sitting side by side with it as you gentlepersons have to go through your deliberations of this year which is a crucial year for us.

Mr. **Quie**. I am glad to have that clarification of your testimony because I think that the whole package is an important part of the concept of helping students. I don't diminish in any way my interest and support of BEOG in saying that about the whole package.

Thank you, Mr. Chairman.

Mr. **O'Hara**. Mr. Lane, I didn't understand you to say that you changed your mind about the half cost limitation, did I, in response to Mr. Quie's question.

Mr. **Lane**. I don't think I did. I think the half cost limitation should be struck. I think it should be struck. My argument is that by striking it you are establishing a maximum which has a different effect. You see, if you are establishing a maximum which is lower than the BEOG that some people are now getting——

Mr. **O'Hara**. No; the maximum would be at the maximum level anybody is now getting. In other words, no one will get less.

Mr. **Lane**. I did not understand the legislation that way. I did not understand that no one would get less.

Mr. **O'Hara**. No one gets less and we strike the half cost limitation. Now would you or would you not favor under those circumstances striking the half cost limitation?

Mr. **Lane**. I am in favor of striking the half cost limitation.

Mr. **O'Hara**. I want that to be clear because Mr. Quie is against it.

Mr. **Lane**. I am in favor of it.

Mr. **O'Hara**. He and I are going to be fighting and I don't want him quoting you to me, saying that you are on his side.

Mr. **Lane**. I am in favor of striking the half cost limitation. I am not in favor of the maximum that I think is in the bill. I will go back and look at it carefully and see whether I agree with your interpretation.

[Mr. Lane subsequently wrote the following letter:]

INSTITUTE FOR SERVICES TO EDUCATION, INC.,
Washington, D.C., April 2, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Postsecondary Education, Committee on Education and Labor, U.S. House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR MR. O'HARA: In testimony before the Subcommittee on Post-Secondary Education on 19 March 1975, I referred to the maximum BEOG to be awarded under the provisions of the bill as $600.00. I note here my error.

Upon rereading the bill introduced as H.R. 3741 I note in a subparagraph numbered (3) and appearing on page 3 the language: "which does not exceed $600, or the maximum grant paid under this program during the academic year beginning in 1975, whichever is greater."

I note that the Chronicle of Higher Education in its issue of 24 March 1975 interprets this maximum to be $800.

Either figure is still too low to allow a BEOG recipient to attend "as a matter of entitlement" the four-year public institution already supported by the taxes of his parents and his community. That was the substance of my testimony on the particular point.

I apologize for my misreading.

Good wishes.

Sincerely,

HUGH W. LANE, *Research Associate.*

Mr. O'Hara. The gentlewoman from New York.

Mrs. Chisholm. Thank you very much, Mr. Chairman.

Under the current law the establishment of eligibility for a basic opportunity grant is based on family income plus assets. Under this particular bill assets will be eliminated.

How would this affect the access of students from poor families to the basic opportunity grants?

Mr. Lane. If one takes assets out of that body of national material or wealth which can be used or can be taxed for discretionary use—that is, if everybody who has access cannot be required to use any portion of their assets to support their children in higher education, to that extent you increase the number of persons or families who are eligible for student financial aid.

Now if you do not increase the appropriation at the same time, then this increase is at the expense of somebody so it is at the expense of persons or families already eligible for student financial aid. You enlarge the pool of persons eligible without enlarging the pie from which the funds will come; therefore, it is at the expense of somebody. You reduce the amount of money available to the poor, to the educationally disadvantaged and to those who apply late in systems involving financial aid.

Mrs. Chisholm. One other question. On page 2, I believe, where you said:

> Academic promise is defined as indicated by a national list of students who demonstrate high academic promise, with the "National Merit Scholarship List" in the mind of at least the sponsor of the bill.

I would like to go on record agreeing with you in terms of the fact that very few minority students have ever been on that "National Merit Scholarship List." I know that as a former educator from the State of New York and working for the board of regents and fighting in that State for scholarships for minority students.

Would you not say, therefore, that this greater academic promise that we hear of actually means students or persons who are in the position to score high on tests? That must be our basic consideration, because indeed in the "National Merit Scholarship List" you have very, very few minority students whether they be blacks or chicanos or Puerto Ricans.

Now the SEOG is going to be sacrificed. Eligibility for the SEOG may be changed from the basis of need to the basis of merit. Don't you feel that we should have a definition of eligibility that would include students who would never be in this category because of all the historical reasons for their never having been included?

I would like your reaction to that because if you are going to talk about merit now, what does merit mean? The Urban League in New York took a number of dropouts, real dropouts, who were cast aside for the educational trash heap and we discovered, when many of these young people entered college in New York, that we had five geniuses on our hands.

If you were going to evaluate academic promise on the basis of scoring high on a test which is usually culturally and socially and economically biased, these students I refer to who are doing tremendously well now in medical school studying to be surgeons would never have been eligible based on this question of merit. This bothers me. Can you help me to relieve some of my bothers?

Mr. LANE. I cannot help you to relieve your bothers. I think they are well stated and more eloquently stated than I could state them myself. The last 7 years of my career has been as president of the National Scholarship Service to fund for Negro students. My reason for working there was exactly this, that we were attempting through improved counseling and guidance to show that we have developed all sorts of talented students in our population who do not show this on tests.

It is related to socioeconomic class, it is related to cultural bias. It is not simply a black problem, it is not simply a minority problem; it is a problem in Appalachia, it is a problem in Michigan, it is a problem in the difference between the union worker and the management worker. If you look at the tests, the "National Merit List" will have more people from management than from labor. If you look in New York, Brooklyn, it is exactly the same thing. To introduce this bias again into something which is talking about access and choice seems to me unconscionable.

Mrs. CHISHOLM. Thank you.

I have no further questions.

Mr. O'HARA. Are there a lot of management whose incomes would qualify them for BEOG grants, do you think?

Mr. LANE. Under this bill, if I read it right, I would start studying ways to see if I could—for the time my kids are in college—reduce my income for those 4 to 10 years to zero. I put everything in assets and I would reduce my income simply so I came up with a net loss for each of those years. I can cite a number of examples of well known people who have a net loss or zero income for a particular year and they qualify for BEOG. There are millionaires with zero income.

Mr. O'HARA. Well, there may be millionaires with zero taxable income if they have their money in tax exempt municipal bonds or something but——

Mr. LANE. There are quite a few. The College Scholarship Service—over the weekend I was looking at a new run which Jim Bowman and Jim Nelson have done in which they can show the relationship between assets and income, and it is not as you postulate it in your bill. You are taking a significant part of our national corpus out of what we consider discretionary income available for the parental support of public education.

Mr. O'HARA. Then you agree with the notion, I take it, that if you have a widow who lives on social security who has college age children and she has a home or an equity in a home that she should be required to sell the home in order to finance her children's education? You think that is OK?

Mr. LANE. I am a member of the Council of the College Scholarship Service and each year I do examine data with other people through a governance procedure to help arrive at what we think is appropriate public policy for looking at assets, and so forth and I usually agree with their positions because they are well reasoned.

Mr. O'HARA. In the specific instance I gave you, do you think that is fair?

Mr. LANE. The specific instance is the instance of widows?

Mr. O'HARA. Yes, with an equity in a home.

Mr. LANE. And with limited earnings for the future. I believe there should be a reservation of those assets and that the children of such a widow should be eligible for Federal assistance. I believe that those assets should be preserved to the widow.

Mr. O'HARA. So my approach is OK if we rule out home equities then, is that it?

Mr. LANE. No.

Mr. O'HARA. No?

Mr. LANE. It depends on the value of the home equities. I do not think that we can just simply avoid the problems of determining which assets we are going to assess and which we are not. The instance you raised was the one of the difference between farm equities and business equities and I think it is a very hard problem, but I don't think we simply avoid it by ruling out the taxing of all assets. Those assets are real. Now it happens that the farm assets are less liquid as a rule than the business assets but that is a reality of life, it seems to me. We tax them differently.

Mr. O'HARA. I am a little surprised at your lack of concern about some of the injustices that are worked by the current assets test. You didn't come through clearly to me that you were saying, "We think it is appropriate to change the assets test; we just want to change it in different ways than you, O'Hara."

That is not what you told me. You told me in your statement that you want to keep it.

Mr. LANE. I object to eliminating assets from what we are looking at and from what we tax for the support of higher education. If you ask what I really believe, I believe that higher education should be funded out of the Federal corpus. I believe that higher education should be a tax line item in the Federal budget. We are not talking about that, we are talking about something short of that. As long as public policy is that higher education will be partly publicly supported and partly privately supported, then I believe we tax assets.

Mr. O'HARA. I think that we have a lot of injustice as a result of the taxation. I think if a worker is unemployed, loses his job, has no income, that we should not call upon him to sell his house in order to finance his kid's education. I think there are many other examples that could be cited, and I think we have to look into that problem.

I yield to the gentleman from Pennsylvania.

Mr. ESHLEMAN. I would ask the gentleman to think of this when he goes home. I come from Pennsylvania Dutch country where the people are very prudent. You know a prudent person is going to gain more assets in a lifetime than a person who is not prudent. I agree with the chairman for different reasons. Maybe he and I are in agreement for different reasons. I don't think we should unduly penalize the prudent person who scrimped and saved to buy a house where someone else rented during their lifetime and with the same scrimping and saving could have also bought a house. I could go down through another long list which I won't do but it seems to me the present asset yardstick does penalize the prudent person and I will just leave that thought.

Mr. O'HARA. The gentleman from Alabama.

Mr. BUCHANAN. Thank you, Mr. Chairman.

It occurs to me there may be some middle ground on this subject, Mr. Chairman. I would like to ask the witness about it, and he has indicated something about it already.

There is some difference between a millionaire who has no income and your middle-income homeowner who has to sell his home to educate his children. The gentleman from Pennsylvania can correct me if this is not the case, but I understand that in Pennsylvania there is a law which excludes $50,000 in assets and then in the case of disabled, deceased, or retired parents there is $10,000 per child in addition. Now these figures may not be right but would you say some condition like that might be reasonable?

Mr. LANE. It seems to me, if I am correct, both the College Scholarship Service and ACT in their formulations have reservations of assets which are not to be taxed which are a function of the age of the person, the status of the person, in terms of head of family, no homeowner, deceased, and so forth. These things, it seems to me, are reasonable but they have to be examined from time to time.

I am saying that simply to say that we are not going to look at assets is a statement of public policy and it should be examined in that light. I think you should be clear that you are making a real determination of public policy if you say private assets are not to be used for the support of someone's education. You have the right to make that determination but you ought to know that that is an important decision, it is not merely a little decision in the bill.

Mr. BUCHANAN. Perhaps somehow the majority side would like to pursue that in the form of an amendment, some such formula.

Now you mentioned also that there are five States that are the top five States with concentrations of industrial assets and five with agricultural assets. Can you list those States now for the record?

Mr. LANE. I don't think I have it with me. I may have intentionally not brought that.

Mr. BUCHANAN. Will you provide it for the record?

Mr. LANE. I can tell you roughly what it shows. This is a sample pulled from applicants for financial aid through the financial College Aid Service. There are five States from which 47 percent of the business—what do you call it—form A, which is the listing of business assets, is concentrated. Those five come from the seven most populous States in the country. Five of them are of the top seven in population according to the census.

The five with farm assets, one of them is among the largest, the other four are from the middle western breadbasket States—corn, wheat, and so forth. There is only one State that is on both.

Mr. BUCHANAN. What you get down to is what really concerns me. You are going to have a limited pot. I don't known how you can get around the fact that the pot at the end of this appropriation process is going to be smaller than the total amount required to meet all the needs and while that may be highly regrettable, that is the way it is going to be, in my judgment.

So you have areas where there are concentrations of poor young people, like the Southern States—the one I represent is a poor State. You have within the States, rich and poor school districts where there are concentrations of such need. One of my concerns is this—and I appreciate your counsel—we take a hard look at exactly what this does, which is that the net effect of this kind of change in the law is that we drain money not only from poor kinds but from areas where there are concentrations of poor kids into a smaller number of wealthier States and households, for that matter, and I think this is a matter of real concern.

I appreciate your testimony.

Mr. **Lane.** Thank you.

Mr. **Buchanan.** Do you concur that this could be an effect?

Mr. **Lane.** The long-range effect of simply taking assets out of the calculation for eligibility will drain funding from Federal programs toward States where there is a concentration of farm and/or business assets and that must be at the expense of States which do not have a concentration of these assets unless the appropriation has increased.

Mr. **Buchanan.** Thank you.

Thank you, Mr. Chairman.

Mr. **O'Hara.** Mr. Simon.

Mr. **Simon.** Just a comment.

First of all I would be interested, and I think other members of the subcommittee would be interested, in any possible amendments that you might suggest. I think I even speak for the Chair in that regard. I'm sure he would be interested in taking a look at any such amendments.

Just one comment. As one who is learning all the various agencies and so forth, I notice that the witnesses—and I am not picking on you here now, sir—generally refer to BEOG as BOG but no one refers to SEOG as SOG. I don't know why this is so. [Laughter]

The general thrust of what you are suggesting is that we have to maximize opportunities, and this does not happen to apply in my district. In the State of Illinois the highest dropout rate is among our Spanish speaking students, the Mexican and Puerto Rican, where there is in addition to other cultural problems the problem barrier of language. That concerns me a little also as we move into this area.

I have no further comments, Mr. Chairman.

Mr. **O'Hara.** Well, thank you very much for your testimony, Mr. Lane. I would indeed join with Mr. Simon in seeking your suggestions.

Mr. **Lane.** Thank you.

Mr. **O'Hara.** It is now 10 minutes after 12 and we have two remaining witnesses. I am very much afraid that our next witness is one that has done a great deal of work with the subcommittee, he has been very helpful to the subcommittee, and I am sure his statement is one that all of us are interested in. I am very much afraid that if we got started that we won't be able to complete his statement before the bells ring and we all have to rush out of here.

I am wondering if it would be all right if we recessed the meeting now and came back at 2 o'clock. I advise you that the two remaining witnesses are witnesses that have very important testimony and I would hope that the members of the subcommittee could make it back.

That is 2 o'clock in this room.

Without objection, the subcommittee will stand in recess until 2 o'clock this afternoon when we will hear from Mr. Ben Lawrence, director of the National Center for Higher Education Management Systems, accompanied by Dr. Wayne Kirschling; and Mr. Richard M. Millard, director of Higher Education Services, Education Commission of the States.

[Whereupon, at 11:50 a.m., the subcommittee recessed, to reconvene at 2 p.m., the same day.]

AFTER RECESS

[The Subcommittee on Postsecondary Education reconvened at 2:25 p.m., Hon. James G. O'Hara, chairman of the subcommittee, presiding.]

Mr. O'Hara. The subcommittee will come to order.

Our next witness on the continuation of this morning's meeting dealing with H.R. 3471 and associated bills is Mr. Ben Lawrence, who is director of the National Center for Higher Education Management Systems.

Mr. Lawrence, if you and your associates would please take the witness table we would be very happy to hear from you.

Mr. Lawrence is accompanied by Dr. Wayne Kirschling, whose name we throw around this subcommittee quite a bit.

STATEMENT OF BEN LAWRENCE, DIRECTOR, NATIONAL CENTER FOR HIGHER EDUCATION MANAGEMENT SYSTEMS, ACCOMPANIED BY DR. WAYNE KIRSCHLING

Mr. Lawrence. Mr. Chairman and members of the subcommittee, our purpose today is to try to be of assistance with regard to the analysis of the bill that you are considering. This is not to say that we don't have personal opinions about many aspects of your bill. But that is not the prime purpose of our appearance today.

In that connection, I would like to remind you that in another context, we have done some previous work using one of the formulas that now appears in your bill. In the last 2 or 3 weeks, we have received a number of telephone calls from individuals who quoted dollar numbers and associated them with your bill. We wondered why this was happening. This morning we discovered a printed sheet of such numbers. We don't know where it came from. It uses our previous analysis in connection with your bill. We would like to enter it into the record. It doesn't bear any relationship to your bill whatsoever. In the context of your discussion today, these numbers are completely fallacious and inappropriate.

Mr. O'Hara. They will be entered in the record at this point.

[Information referred to follows:]

TABLE ANONYMOUSLY DISTRIBUTED, REFERRED TO IN TESTIMONY (P. 353) BY DR. LAWRENCE

COMPARISON OF $200 MILLION DISTRIBUTION TO STATES BY HEI ENROLLMENT AND UNDER NCHEMS OPTIONS 1, 2, AND 3[1]

	Distribution by 1973 enrollment		NCHEMS options					
			1. Less tuition		2. Ignore tuition		3. Public plus private expenditures	
	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
Total	100.0	$200,000,000	100.0	$200,000,000	100.0	$200,000,000	100.0	$200,000,000
Alabama	1.3231	2,646,200	.6808	1,361,600	.7834	1,566,800	.9573	1,914,600
Alaska	.1380	276,000	.1244	248,800	.0672	134,400	.0482	96,400
Arizona	1.4416	2,883,200	3.9276	7,855,200	2.5145	5,029,000	1.5248	3,049,600
Arkansas	.5599	1,119,800	.6052	1,210,400	.4471	894,200	.3737	747,400
California	15.3267	30,653,400	32.3788	64,757,600	20.5902	41,180,400	15.6875	31,375,000
Colorado	1.3770	2,754,000	1.8062	3,612,400	2,2644	4,528,800	2.1647	4,329,400
Connecticut	1.4179	2,835,800	.0519	103,800	.9428	1,885,600	1.1158	2,231,600
Delaware	.3014	602,800	.1194	238,800	.1652	330,400	.1378	275,600
District of Columbia	.8380	1,676,000			1.1251	2,250,200	4.2660	8,532,000
Florida	2.9326	5,865,200	1.8364	3,672,800	1.7725	3,545,000	1.3832	2,766,400
Georgia	1.5294	3,058,800	1.0187	2,037,400	1.0527	2,105,400	1.0128	2,025,600
Hawaii	.4446	889,200	.9055	1,811,000	.5323	1,064,600	.4036	807,200
Idaho	.3672	734,400	1.1183	2,236,600	.6839	1,367,800	.4901	980,200
Illinois	5.1864	10,372,800	5.6851	11,370,200	4.0238	8,047,600	3.7460	7,492,000
Indiana	2.0878	4,175,600	.8789	1,757,800	2.4348	4,869,600	2.5174	5,034,800
Iowa	1.1401	2,280,200	.4483	896,600	1.4243	2,848,600	1.4964	2,992,800
Kansas	1.1269	2,253,800	1.8809	3,761,800	1.5675	3,135,000	1.5413	3,082,600
Kentucky	1.1555	2,311,000	1.4439	2,887,800	1.1224	2,244,800	.8355	1,671,000
Louisiana	1.4108	2,821,600	3.1034	6,206,800	1.8187	3,637,400	1.3334	2,666,800
Maine	.3768	753,600	.0148	29,600	.1890	378,000	.1893	378,600
Maryland	1.8493	3,698,600	.7925	1,585,000	1.0843	2,168,600	1.2766	2,553,200
Massachusetts	3.4724	6,944,800			2.4897	4,979,400	5.5031	11,006,200

Michigan	4.4469	8,893,800	3.8965	7,793,000	4.4534	8,906,800	3.8866	7,773,200
Minnesota	1.7034	3,406,800	1.7547	3,509,400	2.0014	4,002,800	1.8762	3,752,400
Mississippi	.8587	1,717,400	1.3138	2,627,600	1.0713	2,142,600	.8874	1,774,800
Missouri	2.0155	4,031,000	.8467	1,693,400	1.5212	3,042,400	1.5535	3,107,000
Montana	.2850	570,000	.2135	427,000	.1470	294,000	.1068	213,600
Nebraska	.6889	1,377,800	.5826	1,165,200	1.0695	2,139,000	1.1255	2,251,000
Nevada	.2091	418,200	.0025	5,000	.0016	3,200	.0010	2,000
New Hampshire	.3484	696,800			.1730	346,000	.3914	782,800
New Jersey	2.6640	5,328,000	.1539	307,800	.7015	1,403,000	.6711	1,342,200
New Mexico	.5095	1,019,000	1.1080	2,216,000	.8273	1,654,600	.7944	1,588,800
New York	9.4304	18,860,800	5.4215	10,843,000	12.0925	24,185,000	11.6155	23,231,000
North Carolina	2.1348	4,269,600	1.3679	2,735,800	1.3931	2,786,200	1.5556	3,111,200
North Dakota	.3073	614,600	.6011	1,202,200	.6188	1,237,600	.5688	1,137,600
Ohio	4.1403	8,280,600			2.4629	4,925,800	3.1620	6,324,000
Oklahoma	1.3141	2,628,200	1.2764	2,552,800	1.2676	2,535,200	1.4458	2,891,600
Oregon	1.3806	2,761,200	1.3548	2,709,600	1.4423	2,884,600	1.3002	2,600,400
Pennsylvania	4.5972	9,194,400			2.2021	4,404,200	3.2138	6,427,600
Rhode Island	.5751	1,150,200			.5090	1,018,000	.5719	1,143,800
South Carolina	1.0067	2,013,400	.4911	982,200	.4488	897,600	.4423	884,600
South Dakota	.2768	553,600	.1512	302,400	.5052	1,010,400	.6257	1,251,400
Tennessee	1.6159	3,231,800			.5891	1,178,200	1.4793	2,958,600
Texas	5.2553	10.510,600	7.8780	15,756,000	4.9267	9,853,400	4.2229	8,445,800
Utah	.8394	1,678,800	2.6223	5,244,600	2.4559	4,911,800	3.8709	7,741,800
Vermont	.2890	578,000			.2541	508,200	.4876	975,200
Virginia	2.0163	4,032,600	.3987	797,400	.6302	1,260,400	.6656	1,331,200
Washington	2.0810	4,162,000	5.4809	10,961,800	3.2966	6,593,200	2.1497	4,299,400
West Virginia	.7115	1,423,000	2.6078	5,215,600	2.6774	5,354,800	2.5200	5,040,000
Wisconsin	2.3084	4,616,800	1.1716	2,343,200	.8564	1,712,800	.5833	1,166,600
Wyoming	.1870	374,000	.4835	967,000	.3076	615,200	.2206	441,200

---

[1] NCHEMS options data did not include outlying areas. Hence, to provide comparability, the distribution by enrollment has been calculated without them. Total 1973 enrollment is 9,676,092 including outlying areas, 9,585,550 without them, a difference of less than 1 percent. NCHEMS options were based on 1970 and 1971 data, and are appended to "A Proposal to Fund States on the Basis of their Support of Higher Education," by Ben Lawrence and Wayne Kirschling, as presented to ACE workshop, Dec. 12, 1974.

Mr. O'HARA. Let me add from the Chair that I don't know where it came from either. That is the first I have seen it.

Mr. LAWRENCE. It is totally unidentified.

Mr. O'HARA. I think perhaps the person who proposed it was wise in not identifying it.

Mr. LAWRENCE. We would also like to say that the National Center for Higher Education Management Systems does not take positions on any legislation whatsoever. We are here in our personal capacities to try to assist the committee, and we might slip into venturing a personal opinion occasionally. But our purpose is primarily to describe the analysis that Dr. Kirschling and his associates have undertaken and to help you determine what might happen under various circumstances if this bill were implemented.

After these few remarks from me, I think it appropriate that Dr. Kirschling finally appear in person before you. You have heard much about his work. I have asked him to deliver the bulk of our remarks.

Mr. KIRSCHLING. Mr. Chairman, and members of the subcommittee, we would like to direct our prepared remarks to three specific portions of H.R. 3471.

First, we would like to comment on section 415B. This section prescribes a new formula for allocating State student incentive grant funds among the States.

Second, we would like to comment on section 496. This section proposes to create new refund, disclosure, and tuition requirements.

Third, we would like to comment on the final section in H.R. 3471, which would establish some experimental programs under the National Institute of Education.

I will begin by taking up the question of the new allocation formula in the SSIG program. At the request of the Chairman of this subcommittee, we have accomplished a rather lengthy and somewhat hurried analysis of this portion of the resolution. The major part of our results has already been forwarded in a report to the Chairman and to the staff of the subcommittee. I would like to talk about the major findings of that analysis and a few findings that we didn't include in that report.

I want to make three kinds of comparisons.

First—a comparison of the proposed method of allocation to the current method.

Second—a comparison of the proposed $200-million program to the current $20-million program.

Lastly—for investigative purposes, we will propose some modifications to the formula and then look at the results with respect to individual States and groupings of States.

Let me begin by comparing the current method of allocation in the SSIG program to the proposed method.

Currently, SSIG funds are distributed among the States on the basis of the total number of students enrolled in each State. While the legislative language doesn't describe it this way, it established in effect an average award per student, which is the same for all States. Each State's SSIG allocation is determined by multiplying this average award by the State's total enrollment. To give you some idea of the magnitudes involved, if a $200 million program were initiated, this average student award would be approximately $20 per student.

Under the proposed method, the funds would still be distributed on the basis of each State's total enrollments. But the average award per student would differ from State to State. The award per student figure would vary among the States from a low of zero dollars to a high of $56 per student.

I want to emphasize that the proposed change does not affect the allocation among States on the basis of total enrollments. What it does affect is the award per student. Instead of an average figure being applied to all States, a unique figure is calculated for each State. The proposal in setcion 415B then is that these per-student awards should be determined by the effort each State is making to support higher education.

The State making the largest effort would receive the highest award per student. All other States would receive a proportional amount per student, depending on how their respective efforts stacked up against the effort of the highest State.

The definition of State effort contained in section 415B has two major components. The first deals with relative dollar efforts. The second deals with relative enrollment efforts. We would like not to deive into these components but rather to look at some of the impacts on individual States that would result if this proposed method of measuring State effort is used.

In our view, the method of allocating program funds should be chosen to conform with program intent. I think it is significant to recall the name of this program, which is the State student incentive grant program. Hence I think that adoption of the proposed allocation formula would represent more than just the endorsement of a new formula. It also would represent the endorsement of a new system of incentives for individual States.

The incentives being promoted here for individual States include the following: (1) Increased access; (2) an incentive for increased expenditures on higher education; and (3) an incentive for lowering, or at least stabilizing, tuition and fees.

We know that many members of the higher education community would support such a system of incentives. In all fairness, though, it should be pointed out that these incentives may be present more in principle than in fact. An award per student of $40 to $50 is quite small; many States are already spending $1,500 to $1,800 per student.

As has already been noted, the awards per student differ dramatically among the States when the proposed method of allocation is used. Our estimates show that two States would receive no funds per student. Two other States would receive over $50 per student. All other States would fall somewhere between those two extremes.

If we look at total allocation, there are equally dramatic results. Some States would receive no funds under this program, and others would receive a 100 percent increase. While these examples represent extremes, I mention them to bring out the fact that this new method of allocation is going to have a significant impact on most States. It is not a small change.

While it is probably obvious to all, I still want to point out that in an aggregate dollar sense, there is still no impact. We are still talking about distributing the same amount of money. The question is only this: How is section 415B going to reallocate funds to different kinds of States and to the various individual States?

Our analysis showed that if the proposed method were to be implemented, and we assume the same total appropriation, more States would lose funds than would gain.

I think it is also instructive to see what would happen to certain groups of States. In our analysis for the subcommittee, we looked at five types of State groupings. We grouped the States by region, by total enrollment, by per capita income, by enrollment-to-population ratios, and by per-capita expenditures on higher education.

While our analysis showed many significant impacts, let me identify only some of the more dramatic ones.

First, the proposed method of allocation would allocate more funds to States in the West and the Southwest than if the current method of allocation were kept in force.

Second, it would allocate more funds to the States having small total enrollments. However, the 10 States with the very smallest enrollments would receive fewer funds.

Third, it would allocate more funds to the States with the highest per-capita income.

Fourth, it would allocate more funds to States which have proportionately the highest enrollments, taking into account total State population.

And last, it would allocate more funds to the States spending the most on higher education on a per capita basis.

Whether or not these impacts are viewed as desirable, there was no deliberate intent in drafting section 415B, I think, that the first three of these effects should happen. I refer to the allocation of more funds to the West and Southwest, more funds to higher-per-capita-income States, and more funds to the smaller States.

The last two impacts—more funds to States which are enrolling relatively more students and more funds to States which are spending more on a per-capita basis—I think are part and parcel of a built-in bias in the formula towards these kinds of States. These are precisely the kinds of incentives being promoted by the formula which is suggested here.

Let me go on to an important consideration.

What is now being proposed is a $200-million program. Currently in force is a $20-million program. If we look at how many States would actually lose income from implementing this new proposal, our analysis shows that only two States would receive less funds than they are currently receiving. The 48 other States and the District of Columbia would all receive more funds than they are receiving this year.

The last section of H.R. 3417 I would like to talk about, relative to State incentive funds, has to do with what steps might be taken to ease the transition from the current system of incentives to the new system proposed in this legislation.

We recognize that increased appropriations for this program would help to ease the transition to the new method of allocation. The impacts of the new allocation formula on the individual States and on groupings of States were so dramatic, however, that we decided to look at the effects of some modifications. Our intent was not to suggest implementation of these modifications but rather to determine if there were ways in which the transition could be accomplished more smoothly. Some of these investigations were included in our analysis report and others were not. We would like to mention two alternatives that may already have been considered by this subcommittee.

The first alternative would be to distribute only a portion of the appropriated funds on the basis of the new method of allocation. If the remainder were distributed on the current basis, we think this might help to ease the transition to full use of the proposed method.

A second alternative would be to put less emphasis on some of the terms in the proposed formula of State effort. The formula as now constructed puts equal weight on all terms. That is, expenditures are weighted equally with enrollments. We explored the potential effect of putting different weights on different elements in the formula. I would like to report very briefly on two of our investigations.

In both investigations, we picked some kind of severe weighting scheme. We proposed to put zero weight on some of the terms, just to see what the impact would be.

In our first investigation, we reduced the weight on the tuition and fee term to zero. As you will recall, in the proposed formula, tuitions and fees at public institutions are subtracted from State expenditures on institutional and student aid. The results of deleting tuition and fees were significant. In many instances, the impact of shifting from the current to the proposed formula was reduced by more than a little. In a few instances, the impact was increased by only a small amount.

These results held true whether we were looking at individual States or at groupings of States. As one example, the per-student awards that each State would be eligible for now varied from a low of $10 per student to a high of $57 per student. You will recall that in the proposed method, the lows and highs were zero dollars and $56. Hence one significant way of easing the transition to the new allocation formula would be initially to put very little weight on the tuition and fees term.

Our second investigation involved putting a zero weight on the entire first component of State effort. In effect, expenditures, tuitions, fees, and personal income components were removed from the formula. What was left was the component which dealt with the effort each State was making to enroll students. In the formula, this effort is measured by the ratio of students to population.

We expected that this modification would substantially weaken the initial impacts of the proposed formula. Our hunch was correct. Per-student awards now varied from $16 to $55—still a significant range, but quite a more moderate result than the original zero to

$56. Hence another significant way of easing the transition to the new allocation formula would be to initially put a small weight on the expenditure, tuition, fees, and personal income terms. This modification would be substantially more effective in easing the transition than would the earlier modification, which involved just tuition and fees.

In passing, we would like to point out that other sections in the proposed resolution also involve allocating funds among the States. I specifically refer to the work-study program and the direct loans to students program. Both of these sections involve a formula to allocate appropriations among the States. It is proposed that both programs utilize a method of allocation very similar to the method currently used in the SSIG program.

Since we have not conducted an analysis of these two programs, we of course cannot speak very authoritatively on whether or not these differences in methods of allocation make sense. However, it does seem important to note that these two programs are ultimately administered at the level of the individual institution. It seems to us, then, to be a reasonable expectation that the allocations in these two programs would take more than just States into account.

I would like now to move on to the last two portions of our remarks. We will comment first on section 496, which deals with refund, disclosure, and tuition requirements. And we will conclude with comments on the experimental programs that are being proposed for the National Institute for Education.

Relative to 496, we would like to raise some warning flags about some of the specific requirements laid out in this section. More importantly, we want to call your attention to some steps that are being taken which go beyond what is suggested here and which need to be supported.

We wish to make two cautionary points. The first centers on the language of 496, which states a requirement for "data regarding the number and percentage of students successfully completing the programs in which the prospective student indicates interest." While this seems on the surface like a simple request, it is not. For example, in most 4-year institutions it is expected that many students will switch majors several times before their interests settle down. It is also important to keep in mind that each student may have his or her own very special definition of what constitutes "success." We have then two specific concerns. First, what is to be the definition of "successfully completing"? An inappropriate definition of this term could be very detrimental to certain kinds of institutions and could end up being very misleading to the people you are trying to help, namely the students.

Our second caution is related to the first. Unless appropriate definitions, sensitive to different types of institutional settings and to different types of students, are developed and then used, there is a substantial opportunity for students to be misled. Until the educational community has had a chance to develop some workable conventions—and we think in general that they are both willing and anxious to do so—it may be better to delay the effective implementation of this requirement. In fact, it is going to take funds to do a first-rate job of developing this kind of information, and we think those funds should be forthcoming.

This second cautionary point particularly relates to the phrase in the proposed legislation that specifies that institutions should "provide assurances, subject to regulations of the commissioner, that the availability of assistance to students at the institution under this title has not resulted and will not result in an increase in tuition, fees or other charges." While again we agree with the spirit of this portion of the legislation, we think it appropriate to raise some concerns.

First, many public institutions have little direct control over their tuitions. They are not in a position to provide the required assurances.

Second, not all, but some student fees are voluntarily imposed on students by themselves. In fact, because they have received Federal student assistance, some students may be willing to tax themselevs to pay for additional student services. In this instance, it seems wrong to hold the institutions responsible for the kind of assurances which this section demands.

These two examples hopefully serve to illustrate how important it is that appropriate research and development be successfully completed before new national programs are undertaken to provide students with the information which, we all agree, they need.

Better information for sutdents is a pressing concern. We think positive steps are being taken. For example, the fund for the improvement of postsecondary education is currently considering proposals which would develop for students the information they need to make better choices, both among institutions and among programs.

We think these efforts should be supported. We think more information needs to be gathered on factors that influence decisions of students—because often factors which influence their decision are different from the factors that students often initially say they need information about. It is also probably worthwhile to point out that this section says very little about how and when students are going to gain access to this kind of information. College-going decisions are often formed very early in the high school years. To provide the best information after the decision has been made was surely not the intent of the drafters of this section.

One concluding thought on this section. In at least one instance, we think that information which is being demanded for only one type of institution should in fact be available for all types of institutions. We refer specifically to the requirement that "in the case of any institution which makes claims regarding employment of its graduates, such institution must include data regarding the employment and earnings of its graduates of the programs in which the prospective student indicates interest."

We think that most if not all students would be interested in this type of information, whether or not the particular institution they were thinking about attending chose to make any claims in this area.

However, we think it is unreasonable for each and every institution to incur the costs of gathering this type of information. A much more effective approach might be to develop this information for various types of institutions on a national basis. If, in addition to this, a particular institution was willing to incur the expense of backing up its particular claims, then it would be allowed to do this on a voluntary basis.

Finally, we want to talk about the last section in H.R. 3471. It proposes the appropriation of $50-million so that the Director of the National Institute of Education can "enter into arrangements for experimental and demonstration projects." Part of the appropriation is to be used "for carrying out projects which shall test * * * the effect upon student access and choice and upon institutional viability of the following: open admission policies * * * programs of tuition reduction or abolition, and the use, under contract of private or proprietary institutions * * * as an alternative to expanding public * * * institutions."

The chairman of this subcommittee, in introducing H.R. 3471, spoke of his concern about having to build "policy and programs on the foundation of theoretical models." The chairman obviously felt that "$50 million expended on controlled experimentation would be a valuable investment."

As individuals who have tried to respond to the information requests of the chairman and his colleagues, we share many of his views and have experienced many of the same frustrations. Still, we are not yet convinced that controlled experimentation will give us the answers we seek.

First, what is needed is evidence as to what will work in the real world, not just in the laboratory. The contrived environment of a demonstration project may be far removed from the real world in which actual policy must have its effect. Second, it seems to us that what is needed is evidence about what will work on a large scale—in fact, on a national scale.

We have serious doubts whether $50 million will permit the kind of demonstrations that can be readily translated into national policy and national programs. While it is often frustrating, we are more inclined to suggest that more progress might be made by spending these same funds on a widescale research effort to analyze data that has and is being collected on the behavior of students and institutions that are faced with the reality of life as they find it.

Across this Nation, we see almost every possible combination of students and institutions that can be conceived. We think, then, that we can find out what is important to students and that we can identify the factors that shape insitutional decisions. It is these factors which we need to know, both for policy guidance and for building better Federal programs.

Mr. Chairman, we apologize for the length of our remarks and we invite your questions.

Mr. O'HARA. Thank you very much, Mr. Kirschling and Mr. Lawrence.

I do appreciate the assistance you have given the subcommittee, first in suggesting some possible formulas and then in working out a way in which the formula contained in H.R. 3471 would actually work.

I think the most serious argument you could raise against the formula is that because of the amount of award per student which is quite small that it may not have the effect of operating as an incentive to States to do more.

I think that is a legitimate criticism of it because I think that is a weak point.

Obviously one of the purposes of the formula is to provide a carrot to the States to do more in the field of postsecondary education. But if it is such a little bitty carrot that the horse may not feel it is worthwhile taking a step forward in the hopes of reaching it, that is a problem.

With respect to the changes in allocation another way, another alternative, that we could use in the formula to soften the impact would be to provide a certain minimum grant per student and then no State would lose anything in the transition. That might be a better way than to fiddle with what I consider two essential parts of the formula, to wit, the entire first part, which is measuring higher expenditures, plus student aid grants, minus tuition income over State personal income and so forth.

So my own preference would be if you had to soften the impact maybe the way to do it would be to provide a floor and say you would get so much anyway. Then you would get larger amounts with greater effort.

Maybe I have now got a majority here that would favor just jettising the whole current program and going for higher education revenue sharing or something.

I tried that last year. I had some guarded acceptance but very guarded.

I will let Mr. Eshleman say whether he would be for that.

Mr. ESHLEMAN. I am open for discussion.

Mr. O'HARA. All right.

Mr. LAWRENCE. Speaking very personally, one of the things that I am very much impressed with is the fact that in terms of the whole instructional operation of higher education, the State is the primary supporter of higher education in this country. I see a tremendous advantage in having the Federal Government create programs that reinforce and encourage the State effort.

We have been studying for some time the relationships between Federal financing and State financing of higher education to see if there are ways that these two financing efforts could be mutually reinforcing for the benefit of students. This is one of the things that has led to the type of formulation we have been discussing. There are of course many problems with it, as you can see.

Mr. O'HARA. Right. Then another possible criticism of the formula is that we say to the State that is already doing a great deal as compared with other States, they have to match anything they get under this formula with new money.

So you could make another argument, saying if they are already doing so much better than some of the others, why are they required to come up with new money to match this higher average grant that they are getting because they are already doing a good job. That is another problem.

Mr. LAWRENCE. There is also a problem in defining what is "new money." In conversations with people in the last 2 or 3 weeks, I found they were already trying to figure out whether some of the student assistance programs that they have on the books could be counted as "new money." Of course, for some States this proposal looks very attractive, as you can see—particularly for the State of California. They were trying to find out how they could utilize their existing resources to fund it as "new money."

Mr. O'Hara. Finally I would just like to observe that the notions that motivated me to try to come up with such a formula, I still believe them. That is, if a State is not making an adequate effort that we should not in effect reward that inadequate effort and that we should be willing to do more with the States that are doing the best job on their own and our program should be one that is designed to encourage the States to discharge their responsibilities as you say, the two efforts, Federal and State, reinforcing each other.

Mr. Lawrence. I think it is also true that the States that fare very favorably under this formula at the moment are probably already somewhere near the crest of their access and their support for higher education. It is not likely that they will continue to improve in these respects. If the States at the bottom of the list did take the incentives seriously, they would start moving up rapidly—and would get more Federal dollars as they moved up. So if there were some way to work out a transition and they could get in gear, the low-ranking States would gain more Federal support under this formula very rapidly—with a fixed ceiling, say of $200 million. Then the States that are currently at the top would start going down and get less money over time.

Mr. O'Hara. Mr. Eshleman, did you have any questions or comments?

Mr. Eshleman. Yes, Mr. Chairman, I have several.

I hope I don't sound too provincial here. Bob just pointed this out to me. So I wanted to ask it. Under the current allocation Pennsylvania would get $9 million and under your proposed allocation Pennsylvania would fall to $4 million. Why?

I think we are making a good effort, a good State effort. So I would like to know why we would fall over half. I am not provincial. I am just using my own State.

Mr. Kirschling. Two points to be made. First of all, we should keep in mind the fact that the current program is $20 million, and Pennsylvania now receives roughly about $900,000.

If we were to go toward the new $200-million program, Pennsylvania would receive something like $4.3 million. So, in fact, there would be a substantial increase in the funds going to Pennsylvania next year as compared to this year.

The particular table you are looking at, I suspect, is the one that shows how $200 million would be allocated using the old method versus the new method. So then, indeed, Pennsylvania would receive substantially more funds than it is receiving now.

Mr. Eshleman. But the percentage would be less, wouldn't it?

Mr. Kirschling. The percentage of the total allocation would be less.

Mr. Eshleman. Why would Pennsylvania be penalized? I am not talking about total dollars. Naturally the total pot is bigger, I would expect. But why would we be penalized in view of the current effort we are making in higher education?

Mr. **Lawrence.** Because regarding current effort as defined by that formula, the existing data that we have been able to get from the States and from the various locations where that data is obtainable shows that Pennsylvania in fact is not making proportionately the same effort as the States that fall higher on that list, in terms of expenditures.

Mr. **O'Hara.** Do you have the data there that would show in what respect they are not?

In other words do they fall down with regard to the number of students in relation to the population?

Or do they fall down—do you have any of that?

Mr. **Kirschling.** The analysis report, table 14, offers that kind of information. Let me offer a couple of clarifying comments. The current way of allocating funds is an incentive way. It is based on students—so much per student. So it is trying to create those kinds of incentives. The message that comes through is that Pennsylvania must be enrolling proportionately a lot of students as compared to other States.

In addition to taking into account enrollments, the new formula is also taking into account expenditures. It is also taking into account tuition and fees charged to students. Lastly, all of those things are put on a relative basis——

that is, expenditures relative to ability to make expenditures and enrollments relative to the total size of the population.

Mr. **Eshleman.** I haven't had time to fully understand this formula. I admit that. But would we be penalized because we have the highest number of private institutions of any of the 50 States?

Mr. **O'Hara.** Would the gentleman yield to me?

Mr. **Eshleman.** Yes.

Mr. **O'Hara.** My feeling is that the present formula over-awards Pennsylvania and Massachusetts and a few others because it is based on the number of students in the State without regard to whether or not those students are from Pennsylvania or from somewhere else and without regard to whether or not the State of Pennsylvania is doing a damn thing to help those students.

In other words all the kids at Harvard are counted in the present formula in favor of Massachusetts even though Massachusetts may not be giving assistance to any of them.

So the present formula has that inequity in it which I take out in mine.

Mr. **Eshleman.** I see your logic. But you know we have 50 State legislatures that are going to start retaliating in this form. They complain now about the out-of-State students in Hunter Medical College and the out-of-State students at Temple Medical College.

So now if we want to start warring between the States as to what percent let us go up to 100 percent, taking home-State students. I think maybe this will do it, Jim. There are two ways of looking at this.

Mr. **Lawrence.** I think that with table 11 we can try to give you some explanation as to why that happens. We can roughly say that in terms of expenditure of dollars per capita income, Pennsylvania falls somewhere in the lower 10. When you look at the enrollment quotient per population, Pennsylvania does not enroll as many students per population as do the other States. Pennsylvania falls very low.

Mr. O'HARA. I guess we have been arguing about the wrong thing.

Mr. KIRSCHLING. I had an incorrect reference before. If you look at table 11, you see the two components that go into making up the composite effort.

Mr. ESHLEMAN. In that figure do you count the out-of-State students we have in Pennsylvania?

Mr. KIRSCHLING. Yes. Out-of-State students and public and private students. All of those students are counted.

Mr. ESHLEMAN. I am serious. Our State legislature is starting to base their aid on the Pennsylvania-domiciled students. We don't want to start this battle or renew this battle throughout the 50.

In other words you can see the way the State legislature is less inclined to give aid to a student who comes from another State than if he is a home-State student. I think we ought to take this into consideration down here somehow. I don't know how. But I think we should.

Mr. LAWRENCE. The data show that in terms of students enrolled in the State as a proportion of the population, Pennsylvania is low. That is where the big impact comes on the dollar figures that would be allocated.

Mr. ESHLEMAN. I have a related question. To be equitable to States where there is a concentration of private institutions and I think six States have 50 percent of them, shouldn't the State allocation formula take into consideration the private school's expenditure for student assistance. Even though it doesn't come from the tax money they have ways of providing student assistance. Does your formula take that into consideration.

Mr. LAWRENCE. This isn't our formula. This is a modification and does not include the moneys that are coming from the private sector. It only considers State moneys.

Mr. ESHLEMAN. Is that fair?

Mr. LAWRENCE. You have to ask Mr. O'Hara that.

Mr. ESHLEMAN. I want to know if you think that is fair.

Mr. LAWRENCE. That is a complex question. I happen to believe personally—this is my personal opinion—that it would be more equitable to include expenditures on the part of private institutions in such a formula. In our previous work, in a different context we did include private expenditures. It makes a dramatic difference in the shift.

Mr. ESHLEMAN. Excuse me.

Mr. LAWRENCE. This is my own personal belief.

Mr. ESHLEMAN. Excuse me for interrupting you. Wouldn't it be good to encourage student assistance from private sources? Why must we consider that tax money is the only source for increased student assistance in this country? There is no other place to look. Shouldn't we actually encourage student assistance from private money and private sources? What is wrong with that? Is that too old fashioned?

Mr. LAWRENCE. No, I think we should encourage it. I am not sure that the formulation would necessarily provide any incentive to the private sector to spend more money on student assistance, although it might provide an incentive to the State to somehow encourage private giving.

I am not sure. We would really have to think about whether the inclusion of the private money in the formula would encourage and stimulate further private giving. I haven't thought that through. But I certainly would like to encourage private giving, obviously.

Mr. ESHLEMAN. That is all, Mr. Chairman.

Mr. O'HARA. The gentleman from Alabama?

Mr. BUCHANAN. Thank you, Mr. Chairman.

I have two or three areas of concern here.

The first is based simply on what happens regardless of intent. It is the old story about the man who was riding a motorcycle with a leather jacket turned around backwards to keep out the cold. He had an accident. The police arrived. This man came forward and said, "This fellow fell off his motorcycle and his head was turned around backwards and I straightened it out for him. But he was dead before I got him straightened out."

The net result is as I read—and I think these are—your statistics that among the poorer States 8 out of 10 will lose money, a total of $419,705.

And if the current formula were carried with the same total of money my own State would lose $857,080.

I don't mind being provincial at all, I don't mind saying to my friend from Pennsylvania.

Michigan will lose money. Pennsylvania will lose money. So the chairman was certainly sincere and pure in his motivation.

But the fact is that Michigan might be able to afford it and Pennsylvania might be able to afford it but Alabama can't.

Eight out of 10 of the poorest States would lose money under this change compared to a comparable program under the present formula whereas such States as California and New York would substantially gain money.

I don't see how we can escape the net effect of the application of this formula. It would appear to me that might provide some area of concern at least to people who live in poorer States.

Mr. LAWRENCE. From my calculation, that is the effect.

Mr. BUCHANAN. If you add to this the effect of taking away the assets test for student assistance and combined that with what is going to happen to a low-income black young person who lives in Alabama, it would appear to me that under the bill as presently formulated, a low-income black young person who lives in Alabama will be penalized in his educational opportunity for educational assistance over against a program of a comparable amount of money under the present system.

This will be the case not because that low-income black person has done something wrong but because we decided George Wallace and others weren't doing a good enough job in allocating money to higher education in Alabama.

George Wallace may be doing a great thing with health care within his limited-income State. It may be that the Governor and the legislature decide:

> Well, we had better do the best we can for education. But we have got to spend a good bit of money on elementary and secondary education. We have got the health needs. We have got these welfare needs. We want to do the best we can. But we have certain areas or priorities and we have limited means. So in our State we will try to do a little bit with health care. We will try to do a little bit stronger with elementary and secondary education and we end up doing not quite as well in higher education.

That may be a bad priority judgment and it may not. But we are penalizing that low-income black young person who lives in Alabama because either the Governor and company didn't do like they should have done or because in their concept of priorities they decided some other rather important items might have somewhat higher priority than the amount the State spent in the specific area of postsecondary education.

Would you respond to that?

Mr. LAWRENCE. Your analysis is consistent with our thinking. The only thing that I could add to it would be that the Federal Government might be saying in this case, "We are allocating money to States with the intention of trying to stimulate them to change their behavior."

If that is the intent and you think the carrot is big enough—although I don't think it is—that might be an admirable goal on your part.

If you are thinking of the individual student this kind of allocation formula isn't directed to giving money to the individual student but directed to the individual State in the hope that they will give money to the student.

But our analysis does lay out the fact that the 10 poorer States would get proportionally less money in the new proposal than they would under the old proposal.

You have to make the judgment here as to whether you think it is a good philosophy or or not.

Mr. BUCHANAN. You mentioned a second alternative, that you drop the personal income figure.

Mr. LAWRENCE. The tuition or the expenditure factor.

Mr. BUCHANAN. What was your No. 2 proposal, to drop the tuition?

Mr. LAWRENCE. That modified it substantially. If you want to modify it even further, then you just drop the expenditure portion of the effort indices. That will modify it even further and bring it closer and closer. You could, in fact, weight this current formula so that you could almost reproduce the existing allocation method, if you wanted to.

Mr. BUCHANAN. Of course this could be a mixed blessing because could you not weight any factor in this formula so that if you wanted to and you were smart enough you could make political decisions that would end up benefitting particular States or areas by the way you weighted the formula?

Mr. LAWRENCE. If you have available to you the rather extensive study done by Dr. Kirschling and Dr. Postweiler a number of years ago, you would find that they had some very complicated formulas in which you could weight coefficients for family income. You could weight a whole range of things in order to put more emphasis on one particular thing than another and you could make it a very sophisticated complicated formula to carry out certain policies, if you wanted to do so.

Mr. BUCHANAN. I gather the weight of your testimony is that you are not recommending to us a particular weighting within the formula to secure a particular end result.

Mr. LAWRENCE. Clearly, Dr. Kirschling and myself have our own personal opinions. Sometime if you want to talk to us about our personal opinions, we would be happy to do so. Our purpose here today is to help you understand the various impacts that the implementation of this formula would have and what alternatives you might have—and there are lots more.

We have just investigated a few. In giving you some examples, we are not suggesting to you or recommending to you any particular formula. We want to be of service to the subcommittee as it tries to sort this out.

Mr. BUCHANAN. Thank you very much.

Mr. O'HARA. Thank you very much.

Our final witness today is Mr. Richard M. Millard, who is director of the Higher Education Services of the Education Commission of the States.

Mr. Millard, it is a pleasure to have you back here with us.

We would like to hear from you.

STATEMENT OF RICHARD M. MILLARD, DIRECTOR, HIGHER EDUCATION SERVICES FOR THE EDUCATION COMMISSION OF THE STATES

Mr. MILLARD. Mr. Chairman, members of the committee, my name is Richard Millard.

I am director of higher education services for the Education Commission of the States.

I very much appreciate the invitation to appear before this committee in relation to consideration of revisions of title IV and considerations that come under H.R. 3471.

The basic concern of the Education Commission of the States in this area since the report of its task force on student assistance issued in 1971 has been with the development of an effective State-Federal-institutional partnership in student assistance.

If we are to achieve access and reasonable choice for all students and potential students in postsecondary education in the country without regard to economic resources, effective coordination of Federal, State, and institutional programs must be assured. This goal conforms to both State and National objectives.

While the rest of my suggestions are I believe in harmony with the policies of the Education Commission of the States, they are not official policy of the commission because no specific action has been taken with relation to House Resolution 3471.

The Federal Government should continue the initiatives of the Education Amendments of 1972 in the area of student assistance especially in the basic educational opportunities grant program, BEOG, and the State student incentive grant program, SSIG.

At the same time Federal emphasis should also be placed on definition of overall objectives of Federal student-aid programs, individually and collectively; simplification of programs, including development of common application forms and at least comparable needs analysis systems; and improvement in the coordination of federally based, institutionally based and State programs.

One of the fascinating and real contributions of H.R. 3471 is the fact that it more clearly faces some of the more critical issues than any bill I think has in a long, long time.

The Federal Government should utilize the States as the focus for such coordination both in development of information and of effective delivery systems.

It is of basic importance if students are to benefit fully from the various types of Federal, State, and institutional student-aid that these programs be effectively coordinated from the standpoint of planning, information, and delivery.

Important steps in this direction have been initiated in the U.S. Office of Education but these should be strengthened and the States made the key to effective planning and coordination.

Planning for student assistance should be an integral part of the statewide comprehensive planning for postsecondary education.

The Federal law should require that a State demonstrtae how administration of student-aid programs is coordinated with comprehensive planning for postsecondary education in the State whether or not some or all planning programs are administered by the same agency.

The States should where possible be assigned the major responsibility for student-assistance data colletcion and verification both for their own use and for institutional, Federal, and student use. To this end the Federal Government should help in the administration and data collection costs at the State level.

I think this would be a saving to the States and the Federal Government in the long run.

In harmony with the spirit of H.R. 3471 but going somewhat further I believe that the BEOG should be continued and fully funded. The Federal Government should move as quickly as possible to make the BEOG a true entitlement program without provisions for reduction of benefits if appropriations are less than those necessary to pay for full entitlements.

The maximum award should be adjusted from the present $1,400 in accordance with a national index of increases in cost of postsecondary education.

Otherwise we are in the position where if inflation continues the amount available progressively becomes less.

The law should be amended to require that the U.S. Commissioner of Education contract with States willing to do so in accordance with Federal regulations and criteria to administer BEOG applications of State residents and to coordinate eligibility notices under the program with award notices under the States' programs.

The student should be able to file a single application form for all State and federally funded programs. The State should then process the BEOG application to determine expected family contribution. This would provide for packaging BEOG and the State grant to provide the student with a single award notification combining Federal and State assistance.

Dates in the law should be changed so that congressional approval of proposed family contribution schedules can take place by January 1 to provide greater leadtime for processing student applications prior to the academic year in which the grant will be used.

Again in harmony with the spirit of H.R. 3471, SSIG should not only be reauthorized but the authorization level should be increased from the present $50 million to something approximating the $200 million proposed in H.R. 3471.

Currently 49 of the eligible States and territories are participating in SSIG. Almost all States have estabilshed or expanded the State grant program.

From the standpoint of an incentive it certainly has worked to date.

Because the program incorporates the State-Federal matching relation it offers the most effective way to expand student aid.

Highest priority should be given to expanding the authorization level and to appropriating funds to the level of full authorization.

The proposal in H.R. 3471 to allow the State student incentive grant funds to be used for work study makes excellent sense.

Four States currently have State work-study programs. The State programs do at least offer a wider range of work-study possibilities and are available to individual institutions.

I do however have reservations about the use of student assistance funds for providing additional facilities. I am not sure that facilities are a major need at the present time. It seems to me that facility construction or renovation should not be confused with student aid.

The States should be encouraged but not mandated at this point to make grants available for students at all accredited postsecondary institutions and to make the grants portable, that is, available to students attending out-of-State institutions. SSIG should be used as a basis for coordinating programs on the State level as called for above.

The next paragraph probably ought to [illegible] modified in light of the testimony of Dr. Lawrence and Dr. Kirsc[illegible]ng.

The comment that is here is based on an earlier analysis that a number of us received and I think does not give an accurate picture.

But here I have said that while I am not opposed in principle to some consideration of effort and think it is highly desirable it does seem that the current formula in H.R. 3471 requires at the minimum very careful consideration and adjustment.

Any formula that might make no funds available to a State with the second-largest student-aid program in the country would seem to be highly questionable, as some of the earlier projections indicate.

It is extraordinarily dangerous to rank States on the basis of effort without taking into account the unique history, leadership exerted and the public-private context of the State in question.

Again I heartily agree with the spirit of H.R. 3471, that the college work-study program should be reauthorized and increased in scope and with emphasis not only on work-study as a mode of student assistance but as an integral part of student's educational experiences where possible and feasible.

To insure this, not only institutional, but State work-study programs should be federally encouraged. With proper safeguards either work-study or the job creation programs as proposed in H.R. 3471 should extend work opportunity into appropriate business and industry. While the emphasis of the programs should be on providing work-study related to the students' academic programs, this emphasis should not detract from the importance of the program as a source of student assistance for low-income families.

The supplemental educational opportunity grant program should be reauthorized as under present law to meet the needs of students who may not be found eligible under the basic educational opportunity grant program and yet may be found to have exceptional need by an institutional financial aid officer and students who wish to choose relatively high-cost institutions but who without the supplemental educational opportunity grant could not do so.

I think the Chairman is quite correct in pointing out that this emphasis ought not to detract from the importance of the program as a source of student assistance for low-income families.

I do however have serious reservations about the inclusion of "high academic promise" as a condition for supplemental opportunity grants.

Earlier I suggested that the Federal emphasis should be on definition of overall objectives of Federal student-aid programs. It seems to me that to include "high academic promise" rather badly confuses the issue.

The Federal Government may wish to establish a program to give awards for scholarly attainment quite apart from need. This may indeed be a desirable national objective.

But such awards should be considered "awards" and not "student-aid." It seems to me that the primary consideration in student-aid should be the need of students, recognizing that variance in academic ability may in fact not have a wholly incidental relation to the student's background.

The moves to strengthen State guarantee agencies for student loans and to phase out the Federal insurance programs are highly desirable. To date the program has been less than consistent and the States with their own agencies have been at a financial disadvantage. I would suggest seriously considering raising the percent of loss reinsurance at the State level to 100 percent as has been the case for the Federal insurance program.

I want to express my very great appreciation to the chairman of this committee for the opportunity of meeting with you this afternoon.

I would like to add one or two things if I may related to the previous testimony and to the matter of State financial problems.

The use of incentives to encourage the States to move in the direction of more effective aid, I think is highly desirable. Certainly the experience with the SSIG program itself indicates this.

Even the recognition of some form of effort I think is highly desirable.

I think at this point there are however some other factors that need to be taken into consideration. One of these is the financial situation in the States themselves. You sometimes hear that while the Federal Government is in trouble the States have tremendous amounts of funds and surpluses and various States are pointed to.

I am afraid this is already almost out of date since a number of States are already in serious financial trouble. Many States have one disadvantage or one condition that the Federal Government does not have. A number, according to constitutional provisions, must operate within their income. From this standpoint the amount of free-flowing funds it not as large as sometimes is assumed.

This comes back in part to the question of effort and the question of subtracting tuition. Pennsylvania certainly has taken the lead as one of the States in terms of the development of State programs of portability.

Massachusetts, even with Harvard, Mr. Chairman, is also a State if you look at it in the context of the history in which it occurs that did a tremendous job from 1960 to 1970 in starting from almost nothing in terms of public higher education to a major public higher educational system.

It would seem to me that perhaps a suggestion of the chairman or one of the modified forms that we talked about earlier ought to be pretty carefully looked at both from the standpoint of impact upon the States and from the standpoint of encouragement without penalizing for what in some cases is historical accident.

I think a transition in other words of some sort is highly desirable. If you take even the two States which under straight use of the formula would get no funds, New Hampshire and Vermont, Vermont has made real efforts in terms of development of the student aid program.

New Hampshire and Vermont this year are in extraordinarily serious trouble. Part of that is the result of a historic condition. Part is the result of the number of private institutions and the States to some extent that rely on them.

I would hate to see use of the formula in such a way that some States came out with nothing. As was pointed out earlier, these are States which may least be able to afford major readjustments at the present time.

Again I want to congratulate you on raising the critical issues and thank you again for the opportunity of appearing.

Mr. O'Hara. Mr. Millard, according to Dr. Kirschling State expenditures per student now run in the general range of $2,000, $2,500, that area.

Mr. Lawrence. $1,500 to $1,800. If you take the average across all types of institutions.

Mr. O'Hara. Across all types of institutions.

Mr. Lawrence. Around $2,000.

Mr. O'Hara. Do you think the State of Massachusetts ought to get the same credit in terms of its SSIG funds for a student at the University of Massachusetts on whom they are expending $2,500,

$3,000 a year, as they get for a student at Harvard on whom they are expending nothing?

Mr. MILLARD. Not necessarily. I do happen to know the Massachusetts situation fairly well. Again, I think, in looking at the average for Massachusetts you have to take into account not just the level of income in the State, but the amount of effort that has been expended within a reasonable period of time in relation to correcting a situation which historically was very much loaded the other way.

Mr. O'HARA. Let's not talk about the proposed formula. Let us talk about the present formula. What do you think of the present formula as an equitable method of distributing SSIG funds?

Mr. MILLARD. I think at this point it served an extraordinarily important use. That does not mean that I am saying it ought to stand just as it is.

I think perhaps a combination that you suggested in which a percentage of the funds went on the present formula and a percent of funds did recognize the effort. That might well be the answer.

Mr. O'HARA. I would just like to concentrate for a moment on the present formula. The present formula says we are going to distribute funds on the basis of the number of students in school and a student at Stanford counts the same as a student at the University of California at Berkeley. It doesn't matter.

In Mr. Eshleman's State a student at Penn State counts the same as one at the University of Pennsylvania and one who gets a State scholarship counts the same as one who doesn't get a State scholarship.

Do you think that is a good method of allocating?

Mr. MILLARD. Again I think it depends on what the incentive is to.

Mr. O'HARA. Presently there is no incentive to do anything. Is there.

Mr. MILLARD. Yes; there is.

Mr. O'HARA. Under the present formula nothing affects your allocation of SSIG funds except some increase in the total number of students, which would have to be greater than the national average increase.

Mr. MILLARD. To change the amount, right. No, sir, I am not saying that the present formula alone by any means should do it. But in terms of the incentive which even this very small program to date has offered, it has made a difference.

In Massachusetts it made a difference. Their scholarship program, like Pennsylvania's, is portable. The majority of it, a good part of it, does not go to students in private institutions. It went from 8 to 9 million. I think from that standpoint it has had an incentive effect.

It has had an incentive effect in States that didn't have them before.

What you are suggesting, sir, and I think quite rightly, with real justification, is that this alone may not be enough, that perhaps a combination of an incentive to change the present mix plus a floor which would assure a basic amount to the States that in fact have had or are developing programs might be a reasonable solution.

Mr. O'HARA. Let me just put it to you this way, Mr. Millard. I am not very enthused about continuing a program that awards funds to States and puts a premium on having done as little as possible up until the day the program was enacted. That is the way the present program operates. The less you did before the more chance you have of getting something out of this SSIG.

If that is the way it is going to work I am not so sure that isn't money that would be well put into BOEG or into something else.

I was trying to save this, trying to give it some little dignity. But I don't know if that is going to be possible.

Mr. **Millard**. I hope very much it is, sir.

Mr. **O'Hara**. The gentleman from Pennsylvania?

Mr. **Eshleman**. I have no questions. Maybe I don't understand this SSIG fully. I think we would all agree that it is underfunded at this time. At 20 million, 49 States are matching money. But if we were to raise that and raise it extensively wouldn't it be conceivable that the poorer States would stop matching or would have to stop matching? Wouldn't we, in effect, be making the rich States richer? Or I am missing a cog in this?

The small amounts they could match. But say we get the extra money somehow and we provide substantial increases. Isn't it conceivable that the poorer States would stop matching?

Mr. **Millard**. It is conceivable. I would hope it would not be the case. I think the experience to date, the evidence, seems to be that some of these States are responding very well. There undoubtedly is a limit to the amount that they can expand. I certainly wouldn't want to deny this.

Mr. **Eshleman**. I understand roughly 90 percent of Federal aid goes to the student. Would you want to see more of the percentage go to the institution and less to student? Whatever the new formula or formulae we develop, should the Federal Government still primarily give its aid to the student? Or should we give more to the institution?

Mr. **Millard**. I was very pleased, sir, with the fact that the chairman did take the institutional aid issue out of the student aid package. I think these have to be considered separately.

I think that the basic goal of the student aid program is access and choice in as wide a range as possible for all citizens who are capable or benefiting from it.

I frankly would hate to see the student aid program badly eroded in any way. I think it is far too critical. The question of institutional aid I think is a separate question. It is a related but a separate question and one that probably should be talked about in a different context.

Mr. **Eshleman**. In effect you are saying that access and choice should still remain high on our list.

Mr. **Millard**. I would say so. I think this is very important.

Mr. **Eshleman**. That is all.

Mr. **Millard**. I think the States have given every evidence—and your own State, sir, is a major example—of being willing to cooperate with it.

My concern is that the Federal programs and the State programs and the institutional programs be so developed that the delivery system does get to the people who need it.

Mr. **O'Hara**. The gentleman from Alabama?

Mr. BUCHANAN. Thank you, Mr. Chairman.

In light of your last statement and your statement earlier here that "it seems to me the primary consideration of student aid should be the needs of students," do you feel some element of an assets test is reasonable to retain?

Or do you concur that we should eliminate that?

Mr. MILLARD. When I first wrote this paper I had some words in relation to assets. I would say that on the whole I think the chairman's position is well taken. The reason I left it out in the final version is that while I am concerned about the small businessman and the farmer, I think we ought to take a careful look at the larger types of assets in general.

I am very much in favor of a type of position that the chairman has taken.

Mr. BUCHANAN. Let me nail that down. Do you mean the elimination of the consideration of all assets or do you mean a Pennsylvania-type plan where you exclude, say, the first $50,000, and then in the case of a widow or disabled retired person you give them $10,000 for each child? That would be a variation.

Do you mean we ought to take into account, provide for this kind of situation? Or do you mean the elimination of an assets test altogether?

Mr. MILLARD. It seems to me it would be highly desirable to look very carefully at something approximating the Pennsylvania type of operation.

The statement was made sometime this morning that this consideration of assets or not considering assets would work a liability in relationship again to some of the smaller States.

But what I am concerned about is, are the farmers in Alabama, for example, Tennessee, who simply don't have the cash, asked to sell their farms or liquidate their assets in order to make it possible for their kids to go to college?

It seems to me this is just unrealistic.

Mr. BUCHANAN. I think that is a reasonable position. I just wanted to nail down whether we are talking about totally knocking out the assets requirement or not.

On the matter of the States, do I understand your testimony that you are not so much totally wedded to the present formula over against any change as proposed by the chairman, but you feel the history of the State and the needs of the young persons in it ought to be carefully taken into consideration?

Mr. MILLARD. Very much so. I do, Mr. Chairman, want to make very clear that I am not opposed to an effort, an assessment of effort. I would like to see it but in a context in which it does not totally penalize any State.

Mr. BUCHANAN. Thank you, sir.

Thank you, Mr. Chairman.

Mr. O'HARA. Thank you very much, Mr. Buchanan.

And thank you, Mr. Millard, for your testimony.

The committee without objection will now stand in adjournment until 9:30 a.m. tomorrow, Thursday, in this room.

[Whereupon, at 3:42 p.m., the subcommittee adjourned, to reconvene at 9:30 a.m., Thursday, March 20, 1975.]

THE STUDENT FINANCIAL AID ACT OF 1975

THURSDAY, MARCH 20, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
OF THE EDUCATION AND LABOR COMMITTEE,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to notice in room 2261, Rayburn Building, Hon. James G. O'Hara, chairman of the subcommittee, presiding.

Members present: Representatives O'Hara, Buchanan, Mottl, Eshleman, Mrs. Chisholm, Blouin, and Biaggi.

Also present: Webster Buell, counsel, and Elnora Teets, clerk.

Mr. O'HARA. The subcommittee will come to order. Today the subcommittee will continue its hearings on H.R. 3471 and related bills concerning studing financial aid.

Our first witness today will be Elias Blake of the Institute for Services to Education. Mr. Blake?

STATEMENT OF ELIAS BLAKE, INSTITUTE FOR SERVICES TO EDUCATION

Mr. BLAKE. I would like to thank the committee chairman for inviting me to come to speak on H.R. 3471, which is cited as the Student Financial Aid Act of 1975.

I am Elias Blake, Jr., president of the Institute for Services to Education, a nonprofit research and development organization with the primary mission expanding educational opportunities for black Americans and other disadvantaged groups.

I speak as an individual, my views are my own, out of my own experience. My perspective is very much served by my experience which is a low-income college going group that few others deal with in truly large numbers.

However, as such, one is dealing with basic issues relating to equalizing educational opportunity. This issue, for me, then whether the new proposals would better serve the goal of equalizing educational opportunity plus secondary education.

It seemed that the educational amendment in 1972 had a primary goal of three education grants were college work study and national direct loans and they were to advance equal educational opportunity.

The Higher Education Act of 1965 under title IV, student assistance, the purpose of the educational opportunity grants was to make higher education available to qualified high school graduates of exceptional financial need, who for lack of financial means of their own or their families would be unable to obtain such benefits without such aid.

The college work-study program explicitly stated it was to promote the part-time employment of students, particularly students from low-income families.

The State allotment formulas built in that one-third of the allocation was to be based on the number of children under 18 living in families with an income under $3,000.

In the Education Amendments of 1972 and in the same sections, it is only stated that the purpose is to make available the benefits of postsecondary education to qualified students in institutions of higher education. This applied clearly to the new basic opportunity grants.

The supplemental educational opportunity grants maintained the language on breaking down financial barriers. In the work-study program the language giving a preference to the low-income students was struck from the bill and replaced with exceptional financial need as a criterion.

In 1975 multiple goals seem to be being pursued in the new student assistance legislation by a variety of groups. The major goals seem to be to develop a financial assistance program which will assist in the following.

Universal access, that is, stimulate a higher education system that gives universal access to all its citizens, particularly in low- and no-cost institutions with Federal assistance.

The removal of the 50-percent ceiling in terms of the basic opportunity grants moves in this direction because of the $600 ceiling but the removal of the ceiling is a good provision.

I would just hope that the amount of money that allows could be raised to a much higher level.

Mr. O'HARA. Mr. Blake, could I interrupt for just a moment? The bill says that the ceiling should be $600 or the maximum grant under the program in the previous year, whichever is the higher.

We put $600 and just in case, through some crazy mixup, the maximum grant the year before were less than $600, the new maximum would be $600 but we anticipate and OE is now saying that the maximum grant coming in will be $1,050 and that will be the ceiling.

Then we will take out the half-cost limitation.

Mr. BLAKE. I think that would be very important; by just looking at some of the preliminary indications, it appears that significant numbers of low-income students who have these grants necessarily are already much in advance of $600 and in many instances are in the thousand-dollar-plus range because of the extreme lowness of their income.

Universal access, it should be pointed out, may or may not promote equalizing of opportunity. It could well expand the numbers from the traditional clientele and make it more difficult for low-income groups to get in.

Another goal might be subsidy or relief to the traditional clientele of higher education. The median income of the families of incoming freshmen was $14,374 according to the American Council on Education's 1974 survey.

Rising college costs plus rising cost of living places them under greater strain. Particularly those in the $10,000 to $22,000 income range which is the middle 50 percent of the range of college-going freshmen's families.

The relief may well give them a greater choice in terms of costs of institutions they may attend.

The third goal is of course equalizing educational opportunity. Some significant progress has been made toward equalizing opportunity, but black Americans, other minorities, and low-income groups still need major assistance or their gains will be wiped out or their momentum stopped at the current levels.

In 1973, 65 percent of black American families are below $10,000 and 22 percent of all families. That is the lowest quarter of families with children entering college. The issue is getting into the system at all or in a way that makes survival feasible.

Without question, the student assistance programs have been a major force in a pre-1972 form, in support much of what I have seen in terms of progress for black Americans.

The combined programs in the 1972 amendments may or may not be as effective due to some of the factors I will discuss and this might include the 1975 amendments also.

The major problem in the assistance programs which are of most use in equalizing educational opportunity is that now they are clearly vulnerable to heavy use by new populations not before eligible for them; part-time students; students with incomes in higher ranges, proprietary school students.

I am referring to basic opportunity grants; supplemental education opportunity grants; and college work-study. The next most useful program is the direct loan program.

The 1975 bill must then make clear whether it is the explicit intent of Congress to move away from equalizing opportunity as the primary goal of the legislation toward multiple goals of which equalizing opportunity is one among many and no longer the primary one.

This is an issue of public policy that, despite the risk to those who are most affected, it must be fully debated and then decided. Once then done, the new goals or purposes should be stated and explicitly as the old ones were in 1965.

Let me indicate from just one subsector what the old programs have meant. I am certain that it has meant similar things in urban low-income concentrations of whites or in Appalachia or southern rural areas.

I say that because groups with similar income traits are also in those areas and 80 percent of the funds in these programs have generally gone to nonminority groups.

From 1965 to 1974, the historically black colleges which enroll the largest concentrations of low-income students and I use them in an illustrative sense, expanded from the annual production of
sion.
15,700 to 25,000 baccalaureate degree holders—a 60-percent expan-

About 190,000 trained blacks have gone into the American economy out of families with an average income of about $4,000 for entering freshman and $5,500 for graduating seniors.

Conservatively these graduates are earning almost $2 billion a year in income. With substantial assistance maybe half of these students would not have either entered college or completed it.

We can expect similar devastating effects if rather than serving the multiple goals, one is served and not the others.

Several recommendations are therefore put forward.

One: That the equal opportunity goals be put back into the legislation so the debate can be joined on the primary goal of student assistance.

Two: If the pool of money is not expanded rapidly beyond $1.8 billion some portions of the bill earmarked for equalizing the opportunity and protected from use by the traditional clientele of higher education.

Three: Either all or major parts of the grant programs and work-study programs be set aside for targeting on low-income students.

Four: The older programs, based in institutions, not be phased down or out before 1980. Particularly should be included the direct loan program.

Further, some attention should be paid to identifying those institutions which are primarily serving low-income and minority group populations and giving them special preference in their levels of funding for student assistance. There may be as many as 200 to 250 such 2- and 4-year institutions.

Five: No attempt should be made by the Federal Government to identify exceptional academic talent in needy groups. As long as the actual discrimination by race, for example, continues, the disproportionate screening out of blacks will continue.

Special tests cannot overcome the fundamental problem of continuing racism in American life.

Finally, it is my view that within the resources projected more than one goal in student assistance cannot be served. Blacks and other low-income groups will be squeezed out in the competition for help by more affluent, more sophisticated groups.

With the resources available, one may get an expanded flow into higher education but not a different mix of students in terms of income and race.

The question for most blacks is to go or not to go to school as is the case with other low-income groups. It is not a matter of relief from too great a sacrifice in indebtedness or a matter of some help to add to a significant but inadequate pool of family resources.

It is rather a question of staying home and looking for work even after being admitted to college. Surveys among black colleges consistently show that 70 percent of those who are admitted and never appear, do so for financial reason.

Without a pattern of legislation that protects resources for the goal of equalizing opportunities, they will be lost to the pressures from higher income groups caught in the inflationary spirals.

This is the end of the statement but in reviewing the statement, I felt it did not really portray my true feelings about the relationship between this bill and black aspirations of higher education, so I would like for you to bear with me for just a few minutes while I try to put those into words.

They are primarily the legislative recommendations and important things about this legislation. This is a very perilous period for black Americans in higher education and I will share with you my perspective of it.

In high schools, we see a national pattern of disproportionate suspensions of black youths with most of them young males.

This is coupled with the astounding high unemplayment among black teenagers noted at 41 percent in the last month. Some of these will go to college if funds are available and they ought to go to college since we are still underrepresented.

In the graduate and professional schools, the Defunis type cases are threatening to lock historical inequities in place by using definitions of qualification which have been known for 20 years to be discriminatory by race. I speak of the so-called admissions of qualifying tests.

Essentially, only a small trickle of blacks will get in until possibly the late 1980's, assuming public education for blacks improves. We will be told we are not qualified.

A personal note. I was not qualified for graduate school at the University of Illinois according to both tests I took. I made an average score on one and scored on the 15th percentile on the other.

One was the graduate record specialized test in education and psychology, the other was the Miller analogies test. Confronted with the logic of DeFunis, I would not be here today.

In the colleges, it is difficult to know what the enrollment means. How many we are losing we do not know. Some preliminary indications are that the losses may be great.

If so, the flow of increasing enrollments must go on or those who finish will be smaller in number compared to those who entered.

Against the backdrop of the day-to-day experiences of blacks in schools and colleges, the census data on a 19-percent jump are simply disbelieved.

We know that the community colleges have large noncompletion rates for their traditional populations and that less than one in five who enter them ever achieve a baccalaureate degree.

Blacks need three times their current number of baccalaureates just to come even. In fact, the gap between college-educated blacks and whites widened in the last decade.

In the intellectual community, black ability and genetic quality are now, incredible as it may seem, being debated. An entire issue of the elementary school principal is being devoted to a defense of black intelligence and a counterattack on those who persist in using the tests badly.

In the South there is fear that the devastation of discriminatory desegregation policies which literally wiped out black educational leadership in the secondary school level in the last decade will be repeated in higher education under *Adams* v. *Richardson*, thereby wrecking the cornerstone of the flow of black-trained manpower that exists in the historically black but now integrated colleges.

It appears their substantial desegregation is not enough and more must be done. Whatever is done cannot damage the flow of training manpower on which this Nation depends.

Yes, there has been progress, it is good but it is fragile. There has been an advance but it is not internally strong or consistent. We are at a watershed where we go forward or we stand still. To stand still is to retrogress.

The importance of a continuing and unequivocal commitment to equalizing educational opportunity in the Student Financial Aid Act of 1975 cannot be overestimated.

It literally means the educational future of black Americans will be hanging on the outcome of the debate I have proposed. I know the intent and goodwill is there; it must be expressed in legislative proposals and financial resources.

As it has helped large groups of Americans, mostly white, it has carried our aspirations along with it. I fear that at the time we need that continued support the most, it will be cut from under us and that will be a national setback we can ill afford.

Thank you.

Mr. O'HARA. Thank you very much, Mr. Blake. I take it that if you had to set for the priority of goals of the legislation, you would be more interested in increasing the proportion of black and low-income students in higher education than in increasing the total number of students in higher education, even though that may mean a large increase in black and low income, as well as other students?

Mr. BLAKE. I think if the second composition would work out, I would have no problems with it. That is within the confines of the general increase which is what we have had in the last 5 to 7 years, a general increase. Blacks have gone along with that.

However, that been because one of the student assistance programs that existed which gave some substance to the ability of blacks to share in that general increase. I am not certain without some special attention, that low-income students will not necessarily share in the general increase.

For example, the fantastic increases in higher education that have occurred from World War II up until now really blights and low-income people did not very much share in that until the middle of the 1960's interestingly enough, after the development of the Higher Education Act of 1965.

I know the dramatic increases we have seen in black enrollment and they have almost paralleled from the period of the beginning of the higher education amendments and so on.

I am saying that I would want to make certain that the legislation is drawn in a way so that in the pool of limited resources, there are some resources there that would help to continue the kind of movement that we have seen, and as the bill has at least been opened up. That is, at least, my perception, to a larger range of groups.

The resource pool has not been significantly expanded so that I feel in a competition for those limited resources, the low-income groups are going to be the ones that would be forced out in disproportionate numbers.

Mr. O'HARA. But let us assume a precision in meeting legislative goals that perhaps does not exist and then given your choice of expanding college enrollments that would expand both black and white enrollment significantly, without changing the proportion and contrast that with the strategy that would accomplish that and the strategy that would not increase either black or white enrollment by as much as the first strategy but would increase the proportion of blacks in the total enrollment, which would be your preference?

Mr. **Blake**. I would have to prefer the second, because we are in such bad shape. We need more in terms of higher education than the traditional groups that have been going.

However, I do not perceive and this is my opinion, anything in this Student Financial Aid Act which is going to significantly impede the continued expansion of the traditional higher education groups from going on to higher education.

I think it may be a little more difficult for some of them. They may make choices of institutions in terms of costs which were different from what many of them may have liked to do.

However, I think they will continue to go on to college. I do not think that the absence of this kind of legislation will necessarily damage that expansion because I do not think they are as dependent on it as the kind of groups that I am arguing for.

Mr. **O'Hara**. I think perhaps nothing in this legislation is going to accomplish either one of those goals fully, but I think your problem—the directions in which you think this legislation is heading—that is, the setting up of other goals, including a goal of universal access.

Perhaps we differ in that regard. My own long-term policy preference is leading toward universal access and I am not as concerned about the proportions of black and whites as I am about the total numbers of black students and the total numbers of white students.

Mr. **Blake**. I think that if you look at the California system of higher education, which has always been pointed out as a universal access system, even that system needed special effort to deal with the problem of say, minorities in terms of their equal opportunity.

They had to develop a special approach to begin to stimulate and pull minorities even into that universal access where there is an institution where everyone can go in terms of their network of community colleges.

That is what I am afraid of. That in a so-called normal course of events, the income levels which are dramatically different—I handed out just one graphic there, which indicates what the normal college-going population is like and what the income levels, for example, of black Americans are like.

Therefore, the income differences are just so sharp, like 100-percent difference, in terms of average income of say blacks who go to college and the traditional clientele including all groups, black and white.

Because of that, you need to have some pattern of special help. I am not arguing against all of those goals. If there were enough money to pursue all of those goals simultaneously, then I do not think this would be a major problem but within the kind of pool that we are talking about, basically I am arguing that if we are going to stay within that pool, that one try to at least put something in a legislation that would make certain that at least some support would continue for the equalizing of educational opportunity while the legislation helps out all of these other problems.

Mr. O'HARA. The Congresswoman from New York?

Mrs. CHISHOLM. Thank you very much. Mr. Blake, the universality of the approach in this piece of legislation actually would open up the doors to all students in this country. Perhaps, as you have said, we need to be thinking more in terms of the universality of many things in this democracy.

However, given the pragmatic reality of today's financial resources, there are still elements in the population that have to be given special consideration because of historical circumstances over which they have had absolutely no control.

The Higher Education Act of 1975, as stated here, says it was "to make higher education available to qualified high school students of exceptional financial need, who for lack of financial means, of their own or their families, would be unable to obtain such benefits without such aid."

The college work-study program specifically stated, "it was to promote the part-time employment of students, particularly students from low-income families."

We notice that within this universal approach, the college work-study program now will be open to all students. Currently, of course, only the needy are eligible.

We also recognize that the SEOG grants which were awarded on the basis of need to students getting BOG grants will now be changed to merit.

This conceivably could also help to change the cost of education for a student who is going to Princeton or Harvard from a family who does not have the assets as such to continue this education.

Given all of these things, it would seem to me what you are telling this committee is that we have to recognize, whether we want to or not, that the thrust seems no longer to be toward the equalization of educational opportunity for poor students. The thrust is now moving in the direction of a kind of universality of opportunities for all.

Are you therefore trying to tell us that the legislation in terms of its purpose definitely moves away from the 1965 act?

Mr. BLAKE. This appears to be the point I was trying to make, but no where does the education explicitly say that, no where does it explicitly say that it is moving away from that.

It seems to be in a series of changes. One can easily draw that inference. What it does do is to open up the kinds of population which can benefit from the legislation. In that respect it does move away from the expressed primary goal of the earlier legislation and includes different goals.

I am saying that you would need a lot more money for that. You cannot do what the older approach was doing and add these other things within the same pool of money. I am just saying what would be in competition for those resources by all of those groups.

You would probably not get as universal a benefit from that limited pool of resources as one might like. After a period of time, one might look back and see that essentially rather than equalize an opportunity, that whatever progress has been made, it was really kind of standing still.

It was like the front row and back row analogy of everyone moving but the gaps remain the same for a very long time and for the future.

Mrs. **Chisholm.** One other question. Under the current law, eligibility for a BOG grant was based on family income plus assets.

With the elimination of assets under the legislation we are now discussing, what would happen to access of lower income students to these BOG grants?

Mr. **Blake.** In looking at the income distributions that I look at, assets in terms of impact on the need analysis for low income students is not really a very important factor.

A majority of the kinds of income distributions and the majority of the income distributions that I look, putting everything together, there is simply not enough money income in most instances for the families to even stay very high on the need analysis scale.

Usually with whatever they have, they can come up with contributions that are usually not in excess of $500 according to the old system.

The asset question, I think, runs to the business of relief to groups with higher income. It gives them more relief in terms of the cost of college going than it does the kind of low income population that I am talking about.

In other words, I think it itensifies the kind of competition for funds that those groups will be eligible and they can go after the funds to help support the education of their children.

However, the low income people would be competing with those expanded groups. I think that would be the basic impact, though I would not want to go beyond that because I am not an expert in that kind of financial analysis.

I am just simply saying that the low income groups, whether or not the asset thing is in there, is not really a terribly important characteristic, because they tend not to have enough assets to say increase or decrease the amount of aid.

If it is guaranteed in that effect, they are going to need substantial amounts of aid whether or not that is in the legislation.

Mrs. **Chisholm.** One final question. Currently low cost loans can be secured by going directly to the college or the university. Mr. O'Hara's bill would eliminate college-based loans, thus putting many families or students in the position of going to banks or other commercial lenders.

All of us are cognizant of the fact that low-income groups have difficulty getting any kind of financial support from commercial lenders because of all the factors that we know so well.

It is very difficult for these individuals to secure loans. What effect, from where you sit, do you think this change would have on the entire loan program?

Mr. **Blake.** There has always been a reluctance on the part of significant numbers of low income students to use the low income programs, even within the institution and a greater reluctance to go outside to the guaranteed programs.

However, the direct loan program which flows through the institution has in final analysis, I think, been absolutely essential in keeping low income students in school.

By and large, in the institutions that I am familiar with, the loans are always considered the aid of last resort. That is, one looks at work-study, the traditional BOG which are supplemental education opportunity grants and then State programs and then whatever the overhead is that is left, that is put into loans.

However, the pattern that is seen or has been seen over the past decade is very important. I will describe it briefly and indicate why you will find most of us still strongly support the direct loan program. Basically, for some kinds of institutions, the students are clearly identified with being sympathetic with their aspirations, like some of the 2-year community colleges in the cities.

Characteristically students show up in September at those institutions without an adequate package of financial aid. They come out of a certain kind of faith that once there, they will be able to find work and pay their bills and go on through college.

So what one finds is an institution having to spend significant amounts of time in September working with students who have already come to try to put together an aid package so that they can stay in college.

If the loan program is all outside of the institutions or if all the aid programs are outside of the institutions, then we would see that as being a bad kind of mix. Some should stay outside but some should clearly still be in the institutions.

These low income students do not move neatly into the full obligation, and spring application approval or rejection and then getting in all the paper work and then appear.

However, the pattern in institutions which serve large numbers of low income students, is that process continues right up to the time the school opens in September, and the students are still coming in.

In fact, some even appear with the application forms in their hands when the doors open in August and September. When a school has nothing to do with that kind of influx of students, it is a significant disadvantage.

In any program, some of those students will bring some aid with them but they would certainly not bring enough to pay their bills so the direct loan program, in that context, that flows through an institution is an important program.

Basically, I guess what I am saying, in short, is that all the programs have worked well, and they have achieved tremendous gains one would like to hedge this bet as we move into this new world and keep the programs until we are certain that actually the new approaches will do as well.

Mrs. CHISHOLM. Thank you. I have no further questions.

Mr. O'HARA. Mr. Blake, would you say that the amendments to the SEOG program proposed by H.R. 3471 converted from a need based program to a merit based program?

Mr. BLAKE. Yes, I would. As I said, I do not feel that a piece of Federal legislation should get into that area because I think it is a kind of quagmire.

Mr. O'HARA. Do you think it was a drafting error that in order to qualify for one of these SEOG's, one has to be eligible for a basic educational opportunity then?

Mr. BLAKE. I am not certain I am following you.

Mr. O'HARA. Are you aware of the fact that, in order to qualify for an SEOG, H.R. 3471 expressly requires you have to qualify for a basic educational opportunity grant?

Mr. BLAKE. Yes. It was my understanding that there is an intent to try to identify certain categories of students and that to then apply a merit test to those.

Mr. O'HARA. Do you think there are people who qualify for basic educational opportunity grants under the present schedules who are not needy?

Mr. BLAKE. I would think the majority of them would be needy, yes, given the regulations I have seen.

Mr. O'HARA. Then how can you say the proposed SEOG would not be based on need?

Mr. BLAKE. Because the legislation does not expressly put forward the kind of language that the old legislation did but it would be based on need, but need as defined in a much broader context.

It seems to depend on the amount of resources that one has, the number of children that one has in college and other kinds of factors, or that one looks at the effective income.

The need could very well be defined. If a family is making even say $25,000 a year and they have two children in college which cost $4,000 each to attend, and given the way their assets worked out, that family would have extreme difficulty in trying to support those students in college, therefore, they would be eligible for these programs as I understand it.

Mr. O'HARA. Mr. Blake, as a matter of fact, to qualify for an SEOG, under present law, you can have a higher income than you would be required to have to qualify for an SEOG under 3471.

In other words, instead of taking out the need basis, the proposal under H.R. 3471 would impose a tighter need standard on an SEOG recipient than presently prevails.

I do not know how you and the gentlewoman from New York, in the face of that, can make the statement that H.R. 3471 removes need as a criterion for an SEOG grant.

Mr. BLAKE. I was taking the bill as a total bill. As I pointed out in my testimony, the SEOG does maintain the exceptional financial need language. The BOG does not have language that is as strong as that. The college work-study does not have language as strong as the SEOG.

Mr. O'HARA. But in actual fact, the income schedules that can be used under SEOG and under college work-study are more generous than the income schedules that have to be used under BEOG.

Mr. BLAKE. More generous for low income families?

Mr. O'HARA. No, they permit higher income families to qualify, higher income, some families that cannot qualify for BEOG, nevertheless would have a low enough income if you would use the CSS schedule or the ACT schedule.

In other words, the BOG schedule does not let in as many people as the ACT or the CSS.

Mr. BLAKE. I am aware of that. I am making a very basic point that the competition for this pool of resources is expanding. The SEOG, as it is written, does have a special purpose.

The time of that purpose is to merit a kind of analysis with a strong definition of need. That appears to be true in some other parts of the legislation. In that regard, it does stick much closer to the traditional legislation.

I would prefer that the approach not be drawn so sharply because I think it will be very difficult to deal with that. People have been wrestling with that problem for 25 years. They started 20 years ago trying to get what they call culture fair tests out at the University of Chicago. They have not been very successful in that.

However, in terms of a totality, I am very much concerned about the fact that there is going to be an increased competition for the school funds. It does not say that low income groups cannot qualify and will not qualify for what is in the bill.

However, they will have to qualify or they are qualified, but in their qualification, they are in competition with a much larger population of people.

Mr. O'HARA. That is not true of the SEOG though.

Mr. BLAKE. No, it is not.

Mrs. CHISHOLM. Will you yield, Mr. Chairman?

Mr. O'HARA. Yes.

Mrs. CHISHOLM. With respect to the question of merit, we are cognizant of the fact that the students to whom the SEOG will be awarded are those who will also be in receipt of the BEOG's on the basis of merit.

However, the key thing here is the definition of merit. Suppose we utilize such things as the national merit scholarship test and some other basic tests to determine merit. Granted that meritorious students are also receiving the BOG grants, the fact of the matter is that if we use a merit system as the basis for awarding SEOG grants, minority students with or without BOG grants would not be eligible for SEOG grants because historically minority students have generally scored lower than their white peers in terms of the percentages of persons on these widespread examinations used to determine merit which are used as the basis for general testing and merit, we do not find minority students.

It is not to say that students who are not going to be in receipt of the BOG grants would not also be eligible for SEOG, but it is the question of the definition of merit and how we are going to establish this merit listing that we are talking about when we recognize that low income students have never really been a part of that category.

I just wanted to make that clear for the record.

Mr. O'HARA. The gentlewoman has a perfectly legitimate argument on that point and I think there are opposing points to that.

My objection was to the suggestion that the proposed SEOG would not be need based. It is need based.

Mr. BLAKE. It is. I did not dispute that point either.

Mr. O'HARA. The gentleman from Pennsylvania?

Mr. ESHLEMAN. Thank you, Mr. Chairman. Mr. Blake, I first want to refer to page 4 of your testimony, the first of your recommendations that equal opportunity bills be put back.

I have no quarrel with this. It is perfectly all right. I want to jump up to the end of paragraph 1 on the same page where you say that 80 percent of the funds in these programs—you are speaking of prior programs—have gone to nonminority groups.

If the thrust had been for equal opportunity for the last 10 years, then how come a high percentage like that can be a true figure?

Mr. BLAKE. It is based on the population generally. That is if you take numbers in terms of low-income populations that the majority of those numbers are going to be nonminority, just in the nature of the arithmetic.

That is, if there must be—there must be about 40 million which indicates the lowest income percentile, there must be about 40 million Americans who fall in that category of which maybe 15 million of them might be black Americans.

As one is dealing with equal opportunity programs like that in those kinds of numbers, then that is where the money has to go because there is simply just not enough minority people to use up those large amounts.

Mr. ESHLEMAN. Then that 80 percent figure is not necessarily a criticism?

Mr. BLAKE. No. I am saying that is an inevitability, but it is an inevitability in any program that you develop that the majority of the funds would flow that way. There is no way around that.

Mr. ESHLEMAN. If optimistically we come up with some extra money, where would that extra money best help the black student—in BOG or in work-study?

Mr. BLAKE. I would say in the BOG's and the SEOG. That would be the two areas that would come ahead of work study. Work study comes a hard second.

In terms of discretionary use of it, I think it is very important that grant funds are used more heavily in the first year or so and then one phases in more use of the work-study funds as one moves further along, as he goes further in college.

Both the BEOG and the SEOG and work study tend to be the three programs of preference among the financial aid offices that I am familiar with.

Mr. ESHLEMAN. Then we should try to distribute to each, in other words?

Mr. BLAKE. Yes.

Mr. ESHLEMAN. If, in this new piece of legislation, we have to pick a primary administrator of Federal student aid, it could fall in one of three places, the Office of Education, the States, or the institutions themselves.

As primary administrator, not 100 percent, but as primary administrator, which administrator would be fair to the black students? Which would give a better opportunity to the black students?

Mr. BLAKE. I think I would prefer to see a combination—I am not certain I am going to be able to answer that very well because

I would like to see a mix in terms of the way the programs are administered.

If, for example, say the primary administrator becomes the States, I would like to see still there be a significant amount of discretion funds still left at the Federal level, so that if problems develop under that kind of primary administrator, then it could be redressed in some instance with some small pool of discretionary funds at the Federal level.

In other words, whether it goes to the State or whether it stayed at the Federal level, I would argue very strongly that some be held back, some administrative control be held back, so that one can deal with any kind of special situations that might arise.

Mr. **Eshleman.** I am not trying to embarrass you, and I do not want any institution named, but are there institutions that are still discriminating? Is that a high percentage?

I realize that there have to be some. Is that a big factor? Are there institutions that are discriminating against black students? Big enough to be a factor in our thinking, that is what I am talking about.

Mr. **Blake.** Discriminating against them where?

Mr. **Eshleman.** In admissions?

Mr. **Blake.** In terms of the kinds of discrimination of keeping them out on the basis of race, that is a very big factor now. It has moved, as I suggested in my testimony, to a more subtle kind of attack in which a much more rigid use is likely to be made in the next few years of various kinds of standardized tests as qualifications for admissions.

Where one could argue that this in fact is not discrimination on the basis of race, the tests are instruments that it is known in the statistical sense, blacks just do not do very well on those tests. You need to use alternate approaches.

What generally happens is that you need to use the stronger system of recommendations for people who know that talents and abilities of black youth and depend more heavily on those kinds of things in addition to the tests.

That is the way I was able to continue my career. Someone who knew me made strong recommendations in my behalf which the institution believed and then allowed me to come in to see what I could do.

However, the traditional thing was someone says you are black and you cannot come in here, generally that is a thing of the past.

Mr. **Eshleman.** I happen to rate motivation ahead of college boards and anything else. In other words, you are saying the same thing. If the person has motivation, he will get through.

Mr. **Blake.** And has demonstrated that he can do school work in the past. There are a lot of people like that who also do not do very well on the standardized tests.

Mr. **Eshleman.** That is all. Thank you.

Mr. **O'Hara.** The gentleman from New York?

Mr. **Biaggi.** In connection with those tests, we talk in terms of black and I would like not to forget another segment of our community that has a related problem, although not as publicized, and not as advocated, even though it should be.

I am sure the statistics will indicate that those Americans of Italian origin—the younger generation—have similar difficulty, not simply in admissions, but in higher education and the professional schools.

That is why I am as concerned as you are about where these moneys go at the early stages. What puzzles me are the various terms that seem to be used interchangeably or in pursuit of a particular purpose. I am a little confused.

For the record, I would like to know—when you say minority, about whom do you speak?

Mr. **BLAKE**. In my own mind, I was speaking primarily about black Americans, Puerto Ricans, Mexican Americans, Indian Americans. Those are the groups I am talking about.

Mr. **BIAGGI**. All right. I recognize that seems to be the common acceptance of the term. I do not think it is sufficiently embracing. I think it is very narrow and restrictive.

The fact is when you say minorities, any portion which is less than the majority is a minority. In that case, I have a specific concern, as I expressed initially, about those of Italian origin and all the large Greek and Albanian population which falls in that concern and that state.

They may be more eligible than even the blacks because of need, because of language, because of so many things and yet they are absolutely obscure. Their needs are neglected completely.

Then we have the other expression of low income. When you say low income, to whom do you refer?

Mr. **BLAKE**. That is an absolute term if you draw any kind of income criteria for the purposes of legislation, one took the national median and said everyone who falls below that, then that is an absolute criterion, that is the way in which the program will go.

Mr. **BIAGGI**. Then we go further and talk in terms of need. Need would seem to me, I think, you are more or less concerned, by your explanation, that it can embrace an even larger area of people.

If this legislation is to deal with those, to assist those in obtaining education, then we must be talking about the broader group. A man can be denied that opportunity to go on with education simply because he cannot afford it whether he is low-income black, Italian, or whatever, he is denied the opportunity.

I think we should talk in terms of the broader approach in dealing with the problem. I think you have suggested that there is nothing wrong with the universal application of this legislation. It is just a question of funding.

I acknowledge there might be more competition for the funds but then in light of what we said, in the light of need, the competition is inevitable. Do you not agree?

Mr. **BLAKE**. Yes, I would agree. I think from the thrust of your comments, that I would not have any quarrel with what you are saying. I think my view is if the legislation is shaped in a way so that need is defined, in the way which you seem to be implying, that all groups who have similar kinds of problems and similar kinds of needs would be served well.

In the competition, they would do better than where there is nothing which makes it very clear that you are talking about some kind of low-income criteria which might include significant numbers of the kinds of groups about which you are talking where they might have to compete or whatever the pool of resources.

I would hope there would be some way in which they could find mutually beneficial ways of working together and looking at how this kind of legislation is drawn so that it can be more beneficial to people who have similar kinds of problems for different reasons.

Mr. BIAGGI. I want to proceed on the premise, Mr. Blake, that there are many private institutions that are vastly superior to public institutions of higher learning.

By virtue of this bill, there really are not any options. Most of the people who would be the recipients of the benefits here would be compelled to attend the public institutions where the tuition is less.

I suggest that by virtue of that, they are not being given the full opportunity, the best of opportunities. They should be, however, and perhaps merit might even be a stronger consideration for going into these areas because of the curriculum and standards in order to maintain continued attendance.

Those who apply should be given an opportunity to attend the private institutions. What is your reaction to that?

Mr. BLAKE. I would have no problems with that. The only caveat is that you have to be careful about how much of your funds get pulled into that area because your per student cost would be very high in many instances.

One diminishes very rapidly the number of people, so I think again there has to be some way in which you avoid pulling a kind of situation where you might be dealing with $5,000 or $6,000 of aid per student.

That number, I feel, would have to be limited in some way unless you really had a very, very large program but I have no problem with the concepts of the program supporting those kinds of choices.

Mr. BIAGGI. Thank you, Mr. Blake. That is all.

Mr. O'HARA. The gentleman from Alabama?

Mr. BUCHANAN. Mr. Blake, I apologize for my tardiness but I did read your statement and I am interested in your thinking particularly on the provisions of this bill which would remove the assets test.

May I ask my colleague, has this point been developed; if so, I will cease and desist?

Mr. O'HARA. It was pursued by the gentleman from New York with the witness, the effects of removing the assets limitation but you are certainly welcome to proceed.

Mr. BUCHANAN. May I ask—it has been suggested that there is a compromise position between that of removing the assets limitation as in this legislation as now written and having a more rigorous assets test, and that is this:

In the State of Pennsylvania, there is a reservation of $50,000 in assets plus in the case of widow or disabled person, retarded person, an additional $10,000 per child to provide for someone who owns a home but becomes widowed, who has no income, say beyond social security, that person does not have to sell the home in order to send the child to college.

I wondered your comment as to some compromise system along that line versus elimination of the asset test altogether.

Mr. BLAKE. I am afraid I would not want to comment on that, Mr. Buchanan, because I am not an expert enough to deal with that kind of proposition. My earlier comments were just generally that the assets question is not a major issue in terms of the kinds of low-income groups about which I am talking.

For example, in many of the schools, in my experience, or in the South, for example, where a high percentage of the students still come from the smaller towns and cities, working out the income distribution from their families, all without assets, does not raise very effective income to the level where it affects their need very much.

The question of assets, I was essentially saying, is a question that deals with a group that is somewhat high on the income scale and then allows more of them to demonstrate more need and create greater demands on the available funds.

However, I am not qualified to deal with how you set up those assets and so on.

Mr. BUCHANAN. I see, but I would like to nail down this point. You did indicate in your statement some concern about the widening of the available group with our limited resources and the subsequent effect upon those in greatest need.

I assume you are saying that you would feel some concern on that ground about the elimination of all asset requirements?

Mr. BLAKE. Yes, I would.

Mr. BUCHANAN. Thank you.

Mr. O'HARA. Thank you, Mr. Blake. The next witness is Richard A. Fulton, executive director and general counsel, Association of Independent Colleges and Schools and Dana R. Hart, executive secretary, the Accrediting Commission, Association of Independent Colleges and Schools.

Gentlemen, I am a member of the House Committee on the Budget and that committee is marking up the bill today. Occasionally some of my friends in education have said to me they thought it was nice that I was a member of the committee because they thought perhaps my working with education and having some knowledge of it at least, would help educational budgetary allowance.

However, they will not help if I cannot go to the meetings, you see. I missed yesterday's meeting because I was here and now I am well on the way to completely missing today's hearing. Mr. Fulton is a gentleman with whom I have had the pleasure of discussing these matters on numerous occasions.

I have always felt his contributions were worthwhile and thoughtful and Mr. Fisher as well, is one with whom I am well acquainted and I have high regard for his opinions but I would like to turn over the gavel to the senior Democrat present, Mr. Biaggi of New York and go off to my Budget Committee meeting.

I promise you, however, that I will carefully consider your testimony. I will read the transcript of the hearing so that I will know what the questions were and the answers.

Mr. FULTON. Thank you, Mr. Chairman. We have every confidence in the committee and its staff.

[Mr. Biaggi presiding.]

STATEMENT OF RICHARD A. FULTON, EXECUTIVE DIRECTOR AND GENERAL COUNSEL, ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS, ACCOMPANIED BY DANA R. HART, EXECUTIVE SECRETARY, THE ACCREDITING COMMISSION, ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS

Mr. **Fulton.** Mr. Chairman, I am Richard Fulton and on my right is Mr. Dana Hart. The statement that we have prepared for the record, we would like to submit if there is no objection and then attempt to give its highlights and open ourselves up for questions.

Mr. **Biaggi.** No objection.

[The prepared statement follows:]

Prepared Statement of Richard A. Fulton, Executive Director and General Counsel, Association of Independent Colleges and Schools, and Dana R. Hart, Executive Secretary, the Accrediting Commission

Mr. Chairman, and Members of the Subcommittee: We appreciate your invitation to share with the Subcommittee some of our views on student financial aid and H.R. 3471. Each of us appears in our individual capacities. The views and opinions which we present to the Subcommittee are our own and not the policy positions of either AICS or of its Accrediting Commission. Our Board does not meet until May and our Commission does not meet until April. Nonetheless, we hope that our personal views may be of utility to the Subcommittee. Briefly, by way of background, I am Richard A. Fulton, Executive Director and General Counsel of the Association of Independent Colleges and Schools (AICS). Dana R. Hart, is the Executive Secretary of the Accrediting Commission of AICS.

Although our comments are from the viewpoint of residential, independent, or proprietary institutions, we urge the Subcommittee not to construe our remarks as representative of proprietary education generally. In our opinion, there is far too much hasty generalization about proprietary education which fails to differentiate between and among institutions which may be:

Residential as distinguished from Correspondence Schools.

Short course, single subject institutions, as distinguished from academically paced institutions with complex programs of education divided by quarters or semesters.

Participating institutions under various federal programs, as distinguished from non-vocationally oriented institutions.

According to the Federal Trade Commission, there are approximately 3.3 million students enrolled in about ten thousand so-called proprietary institutions. There are approximately 130,000 students in the some 480 institutions of the Association of Independent Colleges and Schools (AICS).

PROPRIETARY EDUCATION OVERLY GENERALIZED

The parameters of what is called proprietary education are indeed far-ranging. Institutional differences are enormous. The average AICS school has an enrollment of about 200 students. In fact, 72% of the total number of institutions in AICS have enrollments of under 300 students. Even smaller is the average enrollment in a cosmetology school. According to Mr. Jay Gerber, Chairman of the Cosmetology Accrediting Commission (CAC), the average enrollment in a beauty school is approximately 35 students. On the other hand, a large correspondence institution may have enrollment in excess of 100,000 students from all over the United States.

Our own small universe of 480 AICS schools is itself complex and diverse. It can be concluded that AICS is a non-homogeneous aggregation of institutions within a minority or aberrational increment of higher or postsecondary education. Though many people do not classify occupational schools as "collegiate," 122 of the 480 AICS schools (25%) offer either the Associate or Bachelor degree.

Legislation and regulations often go into great detail to distinguish between and among public tax-consuming and private tax-exempt institutions denominating them as land-grant schools, state colleges, private colleges, community institutions, they often seem to be lumped together in one general category colleges, or area vocational schools. However, with regard to proprietary subject to the same prejudices and pejoratives, often without differentiation.

Happily that has not been the case with this Subcommittee, particularly after reading H.R. 3471!

Our Committee on the Administration of Student Financial Aid is preparing a special report on several substantive proposals in H.R. 3471. Hence, our comments in that area are general in nature.

Thus, while we might generally be associated with the "go slow faction" on the substantive program changes suggested by H.R. 3471, we feel that even more can and should be done now concerning definitions and administrative proposals in Part F of the bill.

BASIC GRANTS

We expect to have a more detailed commentary and reaction by our Committee on the Administration of Student Financial Aid to the new proposals for basic grants. In the meantime, we would suggest that tuition should be eliminated from the awards determination under basic grants. Tuition should be a concern of the Supplemental Educational Opportunity Grants Program. Instead of the approach suggested by H.R. 3471, we would suggest in the alternative something approximating the NASFAA proposals reflecting the "absolute need" of the individual and his or her family for assistance. Thus, through a combination of federal grant money and family support, an amount equal to the average "cost of maintenance" for a single student would be available. This increment of student financial aid would deal with "non-instructional or non-tuition" related costs. It would be premised on the assumption that every student needs certain minimums or certain basic amounts of maintenance wherever he goes to whatever type of school: near or far from home; zero or high tuition; public, private, or proprietary.

The proposed change in the BOG of H.R. 3471 which would no longer tax assets as part of the process of determining who is eligible for a basic grant is a very sound proposal. We support and endorse the statement of the Chairman upon the introduction of H.R. 3471 with regard to this point. Further, we think the success and experience of the State of New York in operating its TAP program are highly relevant to more than merely the issue of deletion of assets from need analysis.

CARNEGIE PROPOSAL

The Carnegie Council on Policy Studies in Higher Education has just released some more proposals which include a program of Tuition Equalization Grants for students wishing to attend private tax-exempt colleges and universities. Despite the fact that the Carnegie Tuition Equalization Grants would not be available to students in proprietary schools, the Council claims the TEG "would enhance the principle of student choice."

A more evenhanded system of tuition assistance with a proven track record is that of New York. The Tuition Assistance Program (TAP) is available to students in public and proprietary schools as well as in private tax-exempt colleges. There is no discrimination. There is, in fact, a reduction of the gap between tuition charged at private institutions, tax-exempt and proprietary, and those at public institutions.

As Chairman O'Hara said when introducing H.R. 3471 with regard to deletion of assets in the New York TAP program:

"While New York State is not the Nation in microcosm its experiences are not without national value."

Though the Committee does choose to deal with the issue of tuition equalization, we respectfully suggest that the reality of the comprehensive New York TAP program has the benefit of a track record when compared to the narrower theories of the Carnegie Council.

SUPPLEMENTAL GRANTS

We respectfully differ with the Chairman on the proposals of H.R. 3471 to shift supplemental grants from a need based operation through the schools, to student qualification on the basis of "academic promise." Interstitially, let us state that with regard to the *administration* of the Supplemental Grants program, we see nothing at all objectionable to the funds themselves being handled by the Commissioner rather than the institution. Certainly there are a host of non-USOE administered programs in which other agencies mail monthly checks to the beneficiaries. We see nothing in the Supplemental Grants program that necessitates institutional handling of the funds themselves. The same might be said for the Basic Grants program.

However, we see certain conceptual problems if supplemental grants are to be limited to those students of "outstanding academic performance" and the similar language appearing on page 10 at lines 4, 7, 10, and 13. In one possible interpretation, this could be a return to the unbalanced, elitism of the post-Sputnik era. If at those points on page 10 which refer to "outstanding academic performance," the additional words "occupational or vocational potential" were inserted, the student wishing to attend the variety of schools mentioned at page 107 of the new definition of eligible institutions would be taken care of.

By this time, the Committee has already heard a number of witnesses who have raised the issue of the problem of national testing and its consequences. Without wishing to belabor the issue, we merely also assert the point.

We suggest that supplemental grants are a logical companion measure to basic grants. Just as basic grants should deal with the minimum maintenance and non-tuition costs of the individual, we would hope that supplemental grants will continue to provide for a diversity of institutions to enhance the principle of student choice. This can be done if the present SEOG program can deal with "need" within the context of "instructional costs." In either case, we would suggest elimination of assets as part of the determination process.

STATE INCENTIVE GRANTS

It is with mixed emotions that we see the small SSIG program expanded with the explicit caveat to the USOE Commissioner forbidding him from trying to limit or influence, by regulation or other means, the administration of the SSIG. We understand the philosophy, but are constrained to express our concern that while students in proprietary schools would be counted for purposes of determining state allocation, it does indeed seem unfair that access to these schools would not necessarily be provided to students with SSIG money. However, a number of states such as New York, Pennsylvania, and Vermont now include students in proprietary institutions for purposes of state grants. We are currently attempting to establish, on a state-by-state basis, whether or not a state grant program exists, and if it does, are students in proprietary schools eligible.

STUDENT AID AND INSTITUTIONAL AID

A number of well-intentioned critics claim there is a false distinction between student aid and institutional aid. We suggest that the two concepts are severable and are of real utility.

We think the confusion lies in failing to distinguish open-ended, unconditional institutional subsidies with no-strings attached, from payments to institutions pursuant to a contract for the performance of a particular service. That service might be the training under contract of a vocational rehabilitation student, or it could be a veteran. The transfer of the Veterans Cost of Instruction program to the TRIO authorization is a realistic first step in the direction of recognizing that money may flow to an institution pursuant to a contract rather than an open-ended subsidy. Of course the institution thus receives the money not as a grant, but as consideration for the performance of a particular service. Hence, in those situations, it is appropriate to include, as we understand H.R. 3471 to so do, proprietary institutions as well as public and private tax-exempt institutions.

This same point was discussed at the July 11, 1974 Seminar conducted by this Committee. The particular paragraph can be found at page 101 of Part 9 of the publication of the transcript of the Seminars:

"Can I just add a small footnote here because C brought the thing up. Like many of these things in principle, they sound very fine and I just always have to ask this question, what about the fine tuning? I use for example when money flows to an institution, people assume that it is a subsidy and I suggest that maybe the time has come for legislative review of the terms under which money flows to an institution. And I suggest that some flow of money is a true subsidy. Somebody has decided, either the State or the Federal level, that just by reason of its existence, this institution is entitled to this money to do as it sees fit. On the other hand, people say well we don't want any strings attached, but there is a long history of the flow of money to institutions where the institution receives it for a specified purpose related sometimes to a specified student. And in that way it is really in the nature of a contract, whether it is MDTA or vocational rehabilitation or I still suggest the veterans cost of instruction allowance and some of these others that have been justified because you are taking certain people. They cost more to educate, therefore, you can overcome some of these emotional arguments that have been used, if you truly define what you are doing. And I think this gets back to a great lack of candor in many areas of the legislation, but I will reserve that for later."

Thus, the stage is really set for a more definitive reconsideration of the Section 419 Cost of Instruction Allowance for institutions. If these grants are, as described by one major association executive, a "sort of contract for services in the national interests," then it is entirely appropriate that proprietary schools as well as public and nonprofit institutions be eligible for such a contract. Up until now, we have not pressed the issue on this point. However, the time may be right, or at least approaching, for serious discussions on the philosophical basis for the Section 419 Cost of Instruction grants, which has been omitted from the present draft of H.R. 3471. We would look forward to the opportunity of reappearing to discuss this question at a future date when Section 419 is considered in another piece of legislation.

GSL AND FISL

The proposal to phase out the FISL increment of the Guaranteed Student Loan program with the hope that the states can do a better job may be well founded. Anecdotal experiences with which we are familiar leave us with the same general conclusion that there is a greater ability of state agencies to deal each with a small number of lenders and students than of the Federal Government to deal with vast hordes of both.

Events in Massachusetts, Ohio and Illinois would justify our support for the proposal. However, we do not feel that it in any way reduces the necessity for tight administration by the states. An incident in Connecticut which we brought to the attention of the state authorities shows the need for constant vigilance.

However, we question whether or not there is sufficient incentive in H.R. 3471 as introduced to actually force those states not now having a State Guaranty Agency to establish one. Possibly linking the availability of SSIG money to the operation of a State Guaranty Agency might do the job.

We would carefully distinguish between a State Guaranty Agency which enjoys 80% reinsurance from a State Loan Fund which apparently would enjoy 100% Federal insurance. Possibly, perhaps, it has been the 100% factor of the FISL program itself providing loans which were loaded to cover 100%

Without any expertise in the area, we suggest the Committee review the
of student costs that has opened the door to so much mischief.
desirability of continuing the 100% insurance of a State Loan Fund when at the same time the program reinsures only 80% of a State Guaranty Agency.

EDUCATIONAL INSTITUTIONS AS LENDERS

The proposal of H.R. 3471 to eliminate all lending by educational institutions under the GSL program is certainly evenhanded and non-discriminatory! The same cannot be said for the proposals of the Administration which would eliminate only proprietary schools as eligible lenders.

We understand the Administration has released some default statistics on proprietary institutions as eligible lenders to show an average default rate of 46%. This may be so. We do not have regular access to such data since we are not involved in the administration of the program. We are led to believe, however, that the Administration has not disclosed that the non-proprietary collegiate eligible lenders have an average default rate of about

80%. Indeed some well known institutions may have rates approaching 50% or 75%.

Only a limited number of AICS schools claim to need lender status. We have notified them of the proposals of H.R. 3471. We are confident they will have a fair opportunity to present their case to the Committee should they so choose.

NDSL PHASEOUT

Unofficial but apparently conservative estimates would suggest a delinquency rate for the NDSL of more than double the USOE figures of about 13% for the GSL. Technically, of course, no NDSL loan is ever in "default."

However, assuming that something in excess of 25% of NDSL are delinquent, some implications are raised which should be examined before the NDSL is expeditiously buried. A rough estimate would indicate that since 1958, some $3 billion dollars have been appropriated for the program. If 25% of the NDSL money is delinquent, then at least three-quarters of a billion dollars is stagnating! It is not being recycled as intended.

To ease the program into extinction without certified institutional audits is to shut the door to some very unpleasant truths, truths which would involve largely nonproprietary institutions.

It does not require an expensive computer printout which never seems to be available to approximate the level of institutional administration of the NDSL. A simple comparison of the annual level lending with the annual institutional allotment will show whether or not the money is being recycled. If over the past few years the lending level merely approximates the annual allocation, it is fair to conclude that the school is not collecting and recycling NDSL funds which may go back to 1958.

We suggest any phase out of NDSL include:

1. A fiscal and management audit of the administration of the NDSL as a condition transfer to the institution of NDSL funds for the continuation of their own student lending program.

2. Readjustment of the amount of the revolving fund of an institution which entered the program late, such as the schools which refused to require the loyalty oath in the sixties or the proprietary residential schools which became eligible only by reason of the 1968 Amendments. In the latter case, most of these schools have only one and two year programs, so their revolving fund base would ordinarily be smaller than that of a four year institution.

An institution should be permitted to retain for its own program the NDSL monies it has received only after it has shown mature and responsible stewardship of the funds which includes recycling.

WORK PROGRAMS

We are glad to see that H.R. 3471 does not authorize CWS funds for subsidized work-study jobs in the private sector of the economy. The 1968 eligibility of students in proprietary schools was premised on the condition that the employment would be off-campus and in nonprofit and public agencies.

The program has worked well with that stipulation. Let the stipulation remain.

PART F—DEFINITION AND GENERAL PROVISION

The proposed definition of new Section 491(b) of the terms "institutions of higher education" and "eligible institution" is a healthy and comprehensive step. We respectfully make some additional suggestions, which we feel are in line with both the spirit and the letter of these proposals.

First of all we think that it is appropriate to comment that the suggested language eliminates the present inconsistency whereby a degree-granting proprietary school is an "institution of higher education" for purposes of the student aid programs other than the Guaranteed Student Loan program, but, when it comes to eligibility, under the GSL, an institution such as Strayer College here in Washington, must be classified as a "vocational school" pursuant to present Section 435(c) to permit eligibility of its students to the Guaranteed Student Loan program. Strayer College, by way of information, is a four year degree-granting institution so authorized by the Board of Higher Education of the District of Columbia. This inconsistency would be eliminated by the new definition of Section 491(b).

Second, AICS has long maintained that state authority to provide a program of education is a separate but equally essential element of the statutory definition of eligibility. Hence, at line 14 of page 107 we are concerned that the particular language dealing with state authority for purposes of a "vocational school" under present Section 435(c)(2) has been omitted. A comparison of this present Section of the law with Section 435(b)(2) will reveal some additional responsibilities on the part of the states with regard to vocational schools as distinguished from "institutions of higher education" defined in Section 435(b)(2). This additional responsibility on the part of the states is sometimes overlooked by those program administrators charged with the determination of institutional eligibility. Hence, we would suggest that for vocational schools, there should be inserted at line 14 the additional language dealing with state authority pursuant to Section 435(c)(2) which states:

"(2) is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations;"

Third, at line 20 of page 107, we would suggest changing the language to read "in a recognized occupational field or profession, (4) is." Too often some zealous administrators, when drawing up regulations, are prone to immediately resort to the *Dictionary of Occupational Titles* published by the Department of Labor when there is any mention of a "recognized occupation." Hence, a reference to an "occupational field" may provide the basis for more flexible administration. This may be a miniscule change, but it might be important. The Congress found a similar amendment necessary in 1968 to the GI Bill to permit a more flexible vocational objective for veterans in programs not leading to a standard college degree.

Fourth, the so-called "three letter rule" which is sometimes utilized as an alternative to accreditation for an institution not accredited, has come in for a good deal of criticism. We understand it is not favorably viewed by some officials in the USOE. As presently stated in the law, we think there is ample justification for such disapproval. However, we think it could be modified to take into account programs of study offered by institutions not primarily concerned with the awarding of academic degrees and credentials, but rather which are concerned with providing the student with vocational competence. Also, the "three letter rule" might be better stated on the basis of actual experience of transfer rather than a mere statement of willingness by an institution to accept credit which is in the present language. As a matter of fact, in the actual administration of this provision, the USOE requires evidence that the three institutions each have in fact accepted with credit, the transfer of three students. Thus, we sould suggest that to take into account modern developments and innovative programs of training and education that the language of Subsection (B) beginning on line 5 on page 108 would read as follows:

"Is an institution from which credits have been accepted on transfer by not less than three institutions which are so accredited, for credit on a substantially comparable basis as if transferred from an institution so accredited, and."

Again, we feel this provides more flexibility for a realistic consideration of transfer of credits from unaccredited institutions not primarily designed to award academic degrees, but which may be providing programs of education which could be convertible into credits applicable for degrees at institutions which are accredited. For that matter, there may be a significant number of innovative or independent institutions which may not wish to be accredited.

Fifth, at pages 65 and 66 of H.R. 3471, there is Section 437 which presently only applies to the Guaranteed Student Loan program. We suggest that both Sections of the present law should be applicable to *all programs of student financial aid*. Hence, by shifting Section 437 (a) and (b) to some Section of Part F, this broader coverage can easily be accomplished. Possibly, Section 437(a) might best be added as a new Subsection to Section 494 or Sectoin 496 of H.R. 3471. The audit and eligibility termination provisions would reinforce and coincide with the particular language of Section 496(a).

Sixth, as an additional Subsection (d) to Section 491 at page 107, we suggest the following language which was originally drafted at the request of the Chairman of the Senate Subcommittee on Education. It is designed to provide an alternative to accreditation as accreditation may be an element of eligibility in any definition. It also would provide accrediting agencies the services of which are utilized by the government in determining eligibility with some relief from the ever present threat of litigation when an accrediting agency has acted to deny or withdraw the accreditation of an institution.

As a very practical matter, we can report to the Committee that the Accrediting Commission of AICS is presently involved in three (3) active lawsuits. AICS has been sued in Texas because we withdrew the accreditation of an institution. We have been sued in California prior to the withdrawal of accreditation. We have been sued in South Carolina for an alleged failure to timely withdraw accreditation. If accreditation is to remain as a useful element of eligibility, then the agencies which perform this function should be provided with some measure of relief including an alternative to accreditation as it is an element of eligibility. The language is attached as exhibit "A".

Exhibit "A"

For purposes of this [Act] [Title] notwithstanding any other provision of an institutional definition requiring accreditation by an agency or association recognized by the Commissioner as a necessary element of eligibility, the Commissioner is authorized to prescribe such regulations as may be necessary for the establishment of National Advisory Committee on Institutional Quality and to provide for an alternative method by which such a requisite may be satisfied by an institution which:

(a) Is not accredited and as a matter of policy does not wish to be accredited;

(b) Has been denied accreditation;

(c) Has had its accreditation withdrawn;

(d) For any cause satisfactory to the Commissioner does not have access to accreditation.

This alternative to accreditation as an element of eligibility may be asserted by the institution itself or by a representative group of students for the purpose of determining eligibility for all Federal student assistance funds.

Seven, the refund disclosure and tuition requirements of proposed Section 496 at page 110, constitute a constructive statutory step by the Congress to which no responsible educational institution should object. It would apply to all educational institutions, and it would be administered by those with educational expertise. We heartily support the proposals of Section 496.

We hope any regulations to be issued by the USOE Commissioner pursuant to it will be more expeditiously proposed than those authorized by the Congress in 1972 pursuant to Section 438(a) which are still not in effect for the protection of students and institutions under the Guaranteed Student Loan program.

CONCLUSION

We submit our comments with the appreciation that this Subcommittee is indeed "a free and open forum." We hope that the experiences we have had coping with the new problems that have arisen since 1972 will be helpful.

On the substantive side we would suggest only modification and fine-tuning of the existing student aid package. We think it premature to dissemble that which has barely had time to gain experience.

In the areas of eligibility, procedure, and administration, we urge action now and in large steps. The measure does have some revealed truths. We hope our comments and suggestions for additional amendments in this area can preclude some future problems and solve some recurring ones.

Mr. FULTON. I will say the statement is essentially directed at H.R. 3471 and it is with some regret that I see Mr. O'Hara is called out for other responsibilities.

I would like to provide the usual caveat that we are here as individuals. We are not in a position to state an association policy as such because our accrediting commission does not meet until next month and our board of directors will not meet until May.

At best, we are trying to guess what we think, in the light of our own experience as it filters into us, would be helpful responses to these proposals.

Also, although our association is primarily made up of proprietary institutions, I would like to make two points. One, we cannot speak for proprietary education. It is to a diverse field. It ranges from a correspondence school that might have 100.000 students to the small AICS classical business or secretarial school that has about 200 students.

I think that New York and Pennsylvania probably are leaders in this area of incorporating realistically proprietary education and institutions into the academic entirety of the State, both in the authority to give degrees and in the student aid programs which are very comprehensive in those States.

On the whole, I think that on the substantive program suggestions of H.R. 3471, we probably belong to the go slow school as to the procedural reforms which Mr. Hart will get into on definitions of eligibility and refunds, we would urge action now.

We probably belong to the more now school, the more action now school. I think there are some very good steps but we have some more that we would like to suggest.

I think on the determination of need whether it be for basic grants or supplemental grants, I think the New York approach is very good. It just gets rid of this question of fixed assets.

The TAP program has a good track record. It is simplistic and I guess our reaction is to eliminate fixed assets from the determinations.

If there has to be some other good examples provided for, perhaps Pennsylvania has a solution.

But on the other aspects, I think we come down more where the national association of student financial aid administrators position lies as how need is to be determined and the difference between BOG and SOG.

We would distinguish need determination under supplemental grants from basic grants.

To sum it up, I would suggest that for basic grants, you might think in terms of absolute need and in supplemental grants, in terms of relative need. I do not think the two necessarily have to connect as is proposed in H.R. 3471.

I suggest it is a mistake to connect qualifications for a supplemental grant as an automatic follow-on for basic grants. The reason I say this, is that I believe that basic grants should deal with non-instructional costs has to eliminate tuition as an element of basic grants. In other words let's get everyone to the starting line equally.

Everyone should be entitled to a certain amount for access. You may not be entitled to a tailor made suit but everyone should have a suit. Then the package should open the option and provide the choice that we hear a lot of tribute paid to. Equality of access and enhancement of choice are separate and severable issues.

The supplemental grant would be that additional option where the student could attend that particular institution he wants if we really believe in enhancing access as well as need.

Need in relation to choice and access get confused. I think they are two different concepts. Let me insert right here that I have never felt administratively, that there is any necessity for the institution to handle the money itself.

I frankly think that it may have been—well, it certainly would not have been my suggestion that the BOG's be disbursed through the institution.

I do not see why a State agency or a Federal regional office or the USOE could not mail out checks for BOG's and SEOG's just like they do for social security dependent survivors.

You do not hear any complaints about that program, so administratively, I do not see any reason why the schools have to handle the money as such. In fact, I think it almost destroys the student entitlement concept of the BOG. The student never really has the sense that this money is mine to spend at the institution of my choice.

In BOG the institution should be the subject of the student's decision and he rarely has that feeling. There is a little difference here. In the SEOG, historically, the student is the object of the institution's decision to dispense his federally subsidized—but the BOG was supposedly justified as student entitlement and there is unfortunately little difference in practice.

Administratively, I would say I see nothing wrong with someone other than the institution disbursing the money.

Before I get away from the supplemental grant proposals of H.R. 3471, I do not want to belabor the problems of testing introduced by the determintion of academic merit.

I agree there probably still is a need concept but it also introduces a merit concept. If there is to be this enhancement of access, if there is to be this wide range of institutions including public and private vocational schools which at the end of H.R. 3471 sort of sums up all of the types of institutions to which students should have access, then I would say in addition to the words, outstanding academic performance where they should be added, an alternative of occupational or vocational potential.

I realize that I am creating havoc by suggesting that this equitable alternative exists because I do not think that you can determine occupational or vocational potential any more readily or without the same cries of discrimination or nonunderstanding than you can academic performance.

I do say that if enhancement of access through a variety of institutions is part of higher education to student assistance, then I think the option should be open for those students that feel, or someone feels there is occupational or vocational potential.

I am fearful that the chairman's goal of establishing the special help for students of outstanding academic performance is sort of the dark side of the post sputnik response of the original NDEA which centered everything on science.

It still sort of centers everything on academic performance, I really think, in its normal context presumes someone who is going into the mainstream of academic credentials and is headed probably for graduate school.

If you would do this, then I would say open up supplemental opportunity grants as proposed for occupational or vocational students with potential.

I can and do take issue with the principle of prohibiting the OE from in any way trying to direct how a State could utilize the SSIG grants. I am fearful that vocational and occupational students will be overlooked.

I understand the principle behind it. Yet for the record I must note my fears of exclusion. Again, in New York and Pennsylvania, there no problems including vocational students in their proprietary schools in their own State grant system. I hope other States will follow those examples.

Possibly this would have a health effect in those States that exclude them by provoking the schools to get active at the local level, at the State level, instead of always descending on Washington for all answers.

I do think that there is utility in distinguishing between student aid and institutional aid. I suggest there has been a lot of confusion over what really is institutional aid.

Just because money flows to an institution, does not necessarily mean, in my opinion, that it is aid to the institution.

I think money flowing to institutions under vocational rehabilitation programs since 1921 or MDTA since 1962 illustrates examples of institutions performing services under a contract.

The money they get is the payment under a contract. That is not institutional aid. That is separate from an open-ended subsidy which the institution just gets because someone has decided it is in a class of privileged beneficiaries and that it is appropriate to get this money without strings attached.

Therein, I think, lies some of the confusion and possibly the lack of candor that occurs with the veteran's cost of instruction money and the section 419 cost of instruction grants.

These have been justified on the grounds that by taking the veteran student, the institution will inherently incur additional teaching costs. Therefore, the school should have additional money.

If these students, whoever they be, who cost more to teach, whether they are veterans or something like that, then that money is really not institutional aid. It is contractual money. It is money received for performing a specific service. This is properly part of the TRIO program.

If that is the case, then, philosophically and logically, proprietary schools should be eligible for it also. As I gather, they would be now eligible for the veteran's cost of instruction grants as it would be transferred to the TRIO program.

I do not know if that was intended but I suggest, in all fairness, the committee should examine this to see if they do want to live with that consequence. They may not.

As of the 1968 and 1972 amendments, the general principle, I think, out of all of this, has been that institutional subsidies have been historically limited to public and tax exempt institutions.

On the other hand, programs of student aid have been available to institutions whether they are public, tax exempt, or tax paying proprietary based on the quality of the institution.

I suggest that, as one major educational association executive has claimed, that these funds under the veteran's cost of instruction or the section 419 cost of instruction allowance which is not in this bill but which has been reserved for the general bill are contractual payments rather than open-handed subsidies.

If it is a contract, then the time has come to philosophically examine that concept candidly. I would say further if it is a contract, then the time has come for the terms of the contract to be more specific.

Let us see that the money is fully spent on specific students, veterans or otherwise, probably or possibly in terms of students such as the previous witness referred to.

However, let us not justify money to institutions on one ground particular conderation under a contract but then tell them you do not have to spend at all for that purpose. The rest you may keep for other purposes.

As to the phaseout of the federally insured student loan program, frankly I do not know of any incentive that presently exists for a State to maintain a State-guaranteed agency.

There is a possible incentive. What about the possibility of making the SSIG money, with the requirement that the State have a State guarantee agency.

If it is the philosophy of this committee or at least the chairman of this bill to phase out FISL, then I think that you may be faced with a vacuum because I just do not think the States are going to do it under the present circumstances.

I think it is such that the States did not do it in 1965. In fact, some of them started up State agencies and then stopped. I do not know what the answer is but I do think that this guaranteed student loan program is an important option in the package and it should be continued.

I sometimes wonder if it should only be available after the basic grant program has been tested for the student. The question of educational institutions as lenders is another matter.

I must say that Mr. O'Hara is very evenhanded by just eliminating it for all educational institutions, as a matter of equity. I cannot argue against that.

I do think the administration has been less than candid in their proposals in which they would claim that only proprietary schools would be eliminated as eligible lenders.

I believe the facts might show, if they are ever released, there are innumerable collegiate tax-exempt institutions as eligible lenders with an extremely high default rate.

Therefore, I just think the administration is being less than candid. Some of the default rates, I understand, approach 50 and 75 percent.

There are a few schools in AICS which feel they must be eligible lenders. We have notified them of the administration's proposal and Mr. O'Hara's proposal and we feel it is up to them to make their own case for continuation and we think they can do it.

The NDSL phaseout really bothers me. I suggested that unless it is handled carefully, it will quietly bury one of the most interesting and untold stories of—well, I do not want to use the words again, but nonadministration of Federal funds.

The estimates, I understand, for NDSL delinquencies run sometimes double the GSL. That would put it around 25 or 30 percent.

I believe there has been over $3 billion appropriated since 1958 on the theory that the schools would recycle that money. I am not sure the money is being recycled, if 25 or 30 percent delinquencies exist.

If 25 or 30 percent delinquencies exist, then somewhere in excess of $750 million is stagnating. If it is stagnating, then I think before any of this money is turned over to any of the participating NDSL schools, I suggest that each one of them be subjected to an audit.

I do not mean hiring a lot of employees at OE. There are plenty of competent CPA's in this country who can determine whether or not the schools are recycling that money, collecting it and utilizing it as the law intended.

If they are and if it is the philosophy of the committee to phase out NDSL, so be it. Do not allow any school to not account for this money. I think there is a big story here and I think if the program is to be changed, the schools should be made accountable for their stewardship of money.

I also think there are two other facts that need to be taken into account. I believe a number of schools came into the NDSL very late because of philosophical problems with the loyalty oath in the sixties.

They did not build up their loan funds so there probably should be some shuffling around of the equities such as in the education colleges which have been caught with the 10 percent forgiveness feature for teachers.

As far as the work-study program goes, we stay right with the Chairman that students should not work in the private sector. The condition of eligibility in 1968 amendment for students in proprietary schools was that they work off campus and in public service and nonprofit agencies. Let it remain.

It has been very successful where used and we see no reason to depart from it. The question of need or not, the bulk of our students fall into the need category anyway, so quite often, in some of these testing procedures, you are belaboring the obvious, whether or not to put the statutory need test in there.

My colleague, Mr. Hart, has some comments on part F, beginning on page 12 of our testimony, which we think incorporates some very healthy worthwhile steps that we would suggest.

At this point, I would like to turn it over to him to summarize our views on part F.

Mr. Hart. Mr. Chairman and members of the committee, the proposed definition of the new section 491(b) of the terms "institutions of higher education" and "eligible institution" is a healthy and comprehensive step.

We are going to make some additional suggestions, but first of all, we think it is appropriate to comment that the suggested language eliminates the present inconsistency whereby a degree-granting proprietary school is an "institution of higher education" for purposes of the student aid programs other than the guarantteed student loan program but is a "vocational school" for GSL.

However, when it comes to eligibility, under the GSL, an institution such as Strayer College, here in Washington, must be classified as a "vocational school" pursuant to present section 435(c) of the present law to permit eligibility of students for the guaranteed student loan program.

Strayer College, by the way, is a 4-year degree-granting institution so authorized by the Board of Higher Education of the District of Columbia.

This inconsistency would be eliminated by the new definition of section 491(b). That is good.

Second, AICS has long maintained that State authority to provide a program of education is a separate but equally essential element of the statutory definition of eligibility.

Therefore, at line 14 of page 107, we are concerned that the particular language dealing with State authority for purposes of a "vocational school" under present section 435(c)(2) has been omitted.

A comparison of this present section of the law with section 435(b)(2) of the same law will reveal some additional responsibilities on the part of the States with regard to vocational schools as distinguished from "institutions of higher education" defined in section 435(b)(2).

This additional responsibility on the part of the States is sometimes overlooked by those program administrators charged with the determination of institutional eligibility.

Hence, we would suggest that for vocational schools, there should be inserted at line 14, the additional language dealing with State authority pursuant to section 435(c)(2) which states the following:

> (2) is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations;

We are also going to make the suggestion briefly concerning recognized occupations. We would suggest the term "recognized occupations" be changed to "recognized occupational field or profession."

Too often some zealous administrators, when drawing up regulations, are prone to immediately resort to the Dictionary of Occupational Titles published by the Department of Labor when there is any mention of a "recognized occupation."

We think that "occupational field" would provide the basis for more flexible administration. This may be a small change, but it might be important.

The Congress found a similar amendment necessary in 1968 to the GI bill to permit a more flexible vocational objective for veterans in programs not leading to a standard college degree.

Fourth, the so-called "three letter rule" which is sometimes utilized as an alternative to accreditation for an institution, has come in for a good deal of criticism.

We understand it is not favorably viewed by some officials in the USOE. As presently stated in the law, we think there is ample justification for such disapproval.

However, we think it could be modified to take into account programs of study offered by institutions not primarily concerned with the awarding of academic degrees and credentials, but rather which are concerned with providing the student with vocational competence.

Also, the "three letter rule" might be better stated on the basis of actual experience of transfer rather than a mere statement of willing ness by an institution to accept credit which is in the present language.

As a matter of fact, in the actual administration of this provision, the USOE requires evidence that the three institutions each have in fact accepted with credit, the transfer of three students.

That was published in the Federal Register on August 20, 1970, I believe. We would suggest that to take into account modern developments and innovative programs of training and education that the language of subsection (b) beginning on line 5 on page 108 would read as follows:

> Is an institution from which credits have been accepted on transfer by not less than three institutions which are so accredited, for credit on a substantially comparable basis as if transferred from an institution so accredited, and.

Again, we feel this provides for more flexibility. It also provides for the institution that does not desire to be accredited.

A fifth suggestion, and we go back to pages 65 and 66 of H.R. 3471, there is section 437 which presently only applies to the guaranteed student loan program.

We suggest that both sections of the present law be applicable to all programs of student financial aid. We suggest this could be accomplished by shifting section 437 (a) and (b) to some section of part F; possibly, section 437(a) might best be added as a new subsection to section 494 or section 496 of H.R. 3471. This is the suspension and termination limitation provision but which only applies under the present bill to the guaranteed student loan program.

Sixth, as an additional subsection (d) to section 491, at page 107, we suggest the following language which was originally drafted at the request of the chairman of the Senate Subcommittee on Education.

It is designed to provide an alternative to accreditation as accreditation may be an element of eligibility in any definition.

It would also provide accreditating agencies the services of which are utilized by the government in determining eligibility with some relief from the ever present threat of litigation when an accrediting agency has acted to deny or withdraw the accreditation of an institution.

Just as a practical matter, I should say that AICS is presently involved in three active lawsuits. AICS has been sued in Texas because we withdrew the accreditation of an institution.

We have been sued in California prior to the withdrawal of accreditation. We have been sued in South Carolina for an alleged failure to timely withdraw accreditation.

If accreditation is to remain as a useful element of eligibility, then the agencies which perform this function should be provided some measure of relief including an alternative to accreditation as it is an element of eligibility.

We have provided as exhibit A in our presentation the proposed language and essentially it sets up a National Advisory Committee on Institutional Quality.

That just happens to be a name that we have chosen. It would provide an alternative method by which institutions could satisfy eligibility and these institutions would be: (1) The institutions which are not accredited and do not desire to be accredited; (2) those who have been denied accreditation; (3) those from which accreditation has been withdrawn; and (4) those which do not have access to accreditation through any accrediting agency.

Finally, the refund disclosures and tuition requirements of proposed section 496 of page 110, constitute a constructive statutory step by the Congress to which no responsible educational institution should object.

It would apply to all educational institutions, and it would be administered by those with educational expertise. We heartily support the proposals of section 496.

We hope, however, that the regulations issued by the USOE Commissioner pursuant to 496 will be more expeditiously proposed than those authorized by the Congress in 1972 pursuant to the section 438(a) which are still not in effect although they have been on the books since 1972, although they are perhaps on their way and are almost here.

Mr. Chairman, we submit our comments with the appreciation of this subcommittee that it is indeed "a free and open forum." We hope the experiences we have had coping with the new problems that have arisen since 1972 will be helpful.

On the substantive side, we would suggest, as Mr. Fulton said, only modification and fine tuning of the existing student aid package. We think it is premature to dissemble that which has barely had time to gain experience.

In the areas of eligibility, procedure, and administration, we urge action now and in large steps. We hope our comments and suggestions for additional amendments in this area can preclude some future problems and solve some recurring ones.

We thank you and we would stand for questioning.

Mr. BIAGGI. Thank you. Mrs. Chisholm?

Mr. CHISHOLM. Thank you very much. Mr. Fulton, you mentioned in your testimony that perhaps we are belaboring the issue of need with respect to the college work-study program.

Do you not feel that if we now proceed to not use the basis of need in the college work-study program so it can be participated in by all students that it becomes more important than ever that we make sure that we give priority to those students who actually are in need more than others, if the program is going to be an open one?

Mr. FULTON. I think that I probably fell into the trap of looking at the need problem very parochially in that most students in our schools are in need, so that the expense of need determination of what we are proving for third party determination just belabors the issue of what is patently true.

I may have misspoken on that point. I agree with you that need is a very real thing but then again I do not suggest that it may be relative and absolute.

In other words, a student with a BOG is based on certain absolute needs wherever he goes to school. A student that is awarded an SEOG, could be in a higher tuition private institution. His need to be in that institution could be a relative need but it is relative need rather than absolute need.

That is where I have a problem with dealing with all of these tests. Maybe I am wrong but I just do not see the work-study need issue as really as important as apparently you do.

Mrs. **Chisholm**. Of course that brings me to another issue. Perhaps we can link both of these questions together. Let us turn to page 10 of your testimony. I am looking for the section where you agreed with the committee chairman in the elimination of the institution as an administrator.

Mr. **Fulton**. As a disbursing agent.

Mrs. **Chisholm**. Yes.

Mr. **Fulton**. I think that is a separate issue from access to the host of institutions presently in the SOG.

Mrs. **Chisholm**. I would like to ask you this question and I am not trying to be facetious. Association of Independent Colleges and Schools—How many black institutions belong to the Association of Independent Colleges and Schools?

I am asking you this because I have a question to follow up with. Do you have any?

Mr. **Fulton**. Of course I am sure you are aware that technically since 1950 something, there is no such thing as a black institution.

The first thing I did when I took this job in 1962 was to eliminate from the directory the little asterisks which indicated predominantly attended by blacks or so on. Mr. Hart could probably reel off some names more handily than I can.

Mrs. **Chisholm**. I am not interested, gentlemen, in hearing you reel off names. The reason I am asking the question is because you indicated that you agreed with the chairman in eliminating the institutions which disperse these funds. I was wondering if you had any black institutions within your association.

I wondered if you had been aware of the difficulty that minority families have when they go to commercial institutions or banks for loans. It is a real problem for these families.

Mr. **Fulton**. No, I meant solely for the purposes of the BOG and the SEOG, as dispersing agents for the money. In other words, I do not see that they are necessary and have to be in the channel.

The check could be mailed from OE State agencies just as readily. That is only what I meant.

Mrs. **Chisholm**. All right. What is your reaction to removing the loan programs from the postsecondary institutions, thus making it necessary for all students to go to some kind of bank or other commercial institution?

Mr. **Fulton**. I am glad you asked that because I remember early on in the loan program, we had a big conference over at OE.

The lawyer from the General Counsel's office, in his good middle-class, college educated orientation, said well, we just want everybody to equally go and borrow his money. I just had to say to him that you do not understand that there are some people, the only thing they know about loaning and borrowing money is when the man comes to get the furniture or the money.

There is a whole segment of American who does not know how to go into a bank. They literally do not know the language of the middle class who are familiar with credit.

To that extent, I would have to agree with you, it raises some problems. On the other hand, there has been mischief with institutions as eligible lenders.

I think it is unfortunate that the office of education has never issued any regulations as far as I know, governing how an institution should be an eligible lender. They just gave them free rein. A lot of them gave out these notes; they did not really loan money, they just took the students note in effect and then they had no money to the teachers or rent.

Maybe there is a halfway mark that any institution subject to reasonable supervision and regulation should be able to act as an eligible lender under definitive circumstances and guides.

I am not trying to weasel words, but I just do not want to give any hasty examples, but I think the Office of Education is uneven in their approach. I think the chairman is trying to solve a very real problem in good faith. But I suggest the opportunity for real criterial for any institution as an eligible lender.

Maybe there is some sort of compromise, but I do not think there is any excuse for some of the unrestricted activities that have gone on.

Mrs. Chisholm. Thank you. No further questions.

Mr. Biaggi. Mr. Eshleman?

Mr. Eshleman. Thank you, Mr. Chairman. Mr. Fulton, if I interpreted your opening remarks correctly, were you in effect asking to testify after—at some later date, more specifically after you met with your board of directors?

Does your testimony given today stand after you meet with them?

Mr. Fulton. I hope it will. You always run that risk of someone being very unhappy with what you said. We do hope that our committee on the administration of student financial aid will have a formal report that we would like to file with the committee before you go into executive session.

However, we realize the time frame that Mr. O'Hara set out for this bill and it just does not match the formalities of our own organization, so we are here, identified as who we are, but these are really just personal views.

Mr. Eshleman. Certainly. In round figures, the national average of private school tuition is $2,200 and public school is $450. Where does yours fall on the average. You may have to use 12 months compared to 9 months, I realize that.

In a sense, it is a false analogy but what is your annual average tuition rate?

Mr. Hart. We do not collect it statistically. I would guess it would be $1,500—is that right?

Mr. FULTON. I would say tuition for an academic year now is around $1,500. It will go up in some schools and in smaller or more rural areas, be less.

Mr. ESHLEMAN. I was going to pursue the loan question but the Congresswoman from New York covered that thoroughly. However, would a compromise remove loans altogether?

The objection now is that the 4 and 5 year graduate student is accumulating too much debt, that he is almost buried before he starts. Would a compromise of lower annual ceilings for loans work?

Mr. FULTON. I do not believe that it would. In fact, I did not address myself to it but the proposal in H.R. 3471 that lowers the ceiling to $1,000 for freshman would affect the bulk of our students.

I would say that most of our students are 1 year students. On the other hand, with BOG's now pretty readily available, at the risk of antagonizing some of my own constituents——

Mr. ESHLEMAN. Let me interrupt you, what percentage of your students get BOG's, approximately?

Mr. FULTON. I do not think we have those figures.

Mr. ESHLEMAN. But you say that lowering it to a thousand dollars would affect them. If your average tuition is $1,500 and most of them are eligible for a bog, then how would that affect them? Mathematically, how would that affect them?

Mr. FULTON. Because we are only talking about tuition, not maintenance. Now if you are talking about attendance, then we are back at the same question of how much does it cost to get into the game and from then on?

Mr. BIAGGI. Will the gentleman yield?

Mr. ESHLEMAN. Certainly, I am finished.

Mr. BIAGGI. You said most of your students are 1 year students?

Mr. FULTON. Would you not say the bulk would be?

Mr. HART. They would have to be, yes. Most of them are 1 year students. In the institutions where the student attends 4 years, the freshmen make up a great percentage of that so that most of those students are first year students.

Mr. BIAGGI. The gentleman from Alabama?

Mr. BUCHANAN. Thank you, Mr. Chairman. You indicate on page four of your statement, basic agreement with the chairman's position in the elimination of assets from need analysis and in that connection, you cite the experience of the State of New York with its TAP program which I understand from counsel to be a scholarship program based on need but in which there is no asset test.

Mr. FULTON. And is related to tuition also. It is a very sophisticated program, sir.

Mr. BUCHANAN. I think if you look at the combination of things, the bill in its present form might do, we had testimony yesterday that the industrial assets were in large percentage concentrated in five States, agricultural in five other States.

The long run effect would have to be therefore the movement of funds away from poor States towards those higher asset locations. At least this was the witness' impression about what would happen.

Mr. FULTON. I would really have to think that over.

Mr. BUCHANAN. Let me go beyond that. With the new formula, whether or not that were the case, if you dropped the assets aspect from the needs analysis, you would certainly broaden the base of people who would be eligible.

I would think that would have to be without question. With a limited amount of money, you would therefore be diluting the amount of help which might be available to those with greatest need in your overall package.

You would have a lot more people eligible for limited amount of money. In addition to this, at my level of income, for example, it is quite possible for me to get my taxable income down to zero by investing in the right kind of assets.

I know many constituents who have very little taxable income, who make money in business and then invest in the cattle business. By the time you are through with all of this, you end up with very little taxable income and a good deal of wealth.

Mr. FULTON. From personal experience, it would wind up with a deficit.

Mr. BUCHANAN. Yes, but at the very least you are broadening the base of eligible people in any case. Further, under the State incentive program as currently set out in this bill, the money—with the change of formula that flow would change.

Of the 10 poorer States, 8 of the 10, would lose money and overall, the 10 would lose over against the present formula provided the same money is available as envisioned in this legislation.

If you put all of that together, it would appear that the thrust of this legislation, as drafted, would tend toward lessening the chance of say a low income black person or low income State like my own, from having as good a chance for as much help as if the present formula were applied in an expanded program.

I would just like your response to that.

Mr. FULTON. You have opened up my eyes to something that I really had not considered in my simplistic approach to the administrative of BOG's and SEOG's. I did not follow through with the logic as you present it, to its consequences and SSIG, if I follow you. Is that where you were taking me?

Mr. BUCHANAN. Yes.

Mr. FULTON. My suggestion had gone no further than the administration of BOG and SOG. I have to confess that I have known Dr. Ben Lawrence for a long time. I have been to his meetings of the National Commission on Financing, postsecondary education and I sat next to him on the July 10 seminar, here in this room, last summer.

Frankly, his proposals, as I understand they are related to SSIG are just beyond me. I just do not understand them and I might as well state that.

Mr. BUCHANAN. Mr. Chairman, if either the Chair or the counsel can let me know if I am correct, as I stated the case in my questioning, I will certainly stand ready to be corrected because this entire area is beyond me.

Mr. FULTON. But I limited mine to BOG, SOG. I am not saying you took me down the garden path or anything like that.

Let me draw the line at BOG and SOG when I talk about assets or eliminating fixed assets. I do not intend for my comment to extend to SSIG.

Mr. BIAGGI. I did not read your entire statement as much as it was not read. I have a question of deep concern concerning the effect of this proposed legislation as it effects the proprietary schools.

You made some reference to it. I do not know if you can answer it in detail now. If you can, I would be delighted. If not, we would appreciate, as detailed a response to the question for the record.

What I am concerned about is some of the comments I have received from the various presidents of universities in regard to the cost limitation. They suggested this legislation as currently drafted induces a hardship upon them. If that be the case, and if so, how would you suggest that it be corrected?

Mr. FULTON. Subject to maybe later amendment, I would think we would not have many students under the new SOG proposal. It would just send them all probably to the prestigous private schools with carte blanche.

As far as the BOG is concerned, I think, and when I say this, I do not think any institution whether it is public, private, proprietary or otherwise, has a "right to a fair share" of students.

I do not believe in the divine perpetuation of any particular category of institution, public, private, or proprietary, or anything like that. I do think probably as proposed, the BOG proposal, if I read it correctly, would not affect us one way or the other.

What I am concerned with is the linkage with the SOG. Therein, I think, lies the problem because I believe there is an absolute and relative need. An absolute need for equal access. A relative need for choice.

I think the SOG's as presently constituted provide a balance of institutional discretion and enhancement of student choice. They would become very unused by and large in vocational schools whether they are public or private as proposed in 3471.

Mr. BIAGGI. This leads me in the direction but it says that we have a very substantial problem to deal with if we must continue with the divine perpetuation of private institutions.

I think they are an important part of our educational structure and should be preserved and assisted. In the end the total community suffers by their demise.

I am not here to propose something nor to find a complete exodus from the public into the private. I would suggest if you do not have it immediately available, give some thought to any proposition that might be able to provide the private institutions with some of the SOG funds without the evil consequence that you predict.

Mr. FULTON. This is my proposal of absolute and relative need. I do not think the SOG should be used to channel students just to a selected few private institutions. I think private institutions, whether they are tax exempt or taxpaying, are a healthy increment, to the educational system of this country.

I think they operate as a check on the public, plus they offer some unusual opportunities. Thus, I think if you can eliminate tuition as an element of consideration in the BOG program and get everybody at the starting line, then if someone wants to go to a private institution, they should have some additional assistance in the form of loans and SOG as presently constituted.

That is a student decision. I would not propose this additional obligation because I think the private institutions has a factor that the student cannot get at the public school and concurrently with that, under our present system, really these are federally funded scholarships.

It is the institution's prerogative to choose the student to whom it will extend this SOG money. I think you have this healthy mix of permitting the private institution to somewhat compete with the so-called low tuition public institutions.

You have, if you will divorce SOG from BOG, and build in the tuition consideration factor only in the SOG, then you have decision on the part of the student to incur some debt and you have a decision on the part of a private institution over zero tuition public institution, if you will, to select that student as being worthy of recognition and assistance to attend the private or proprietary school. This enhances choice and preserves the diversity of institutions.

This would apply in the same competition between say a community college and some of your State universities. I think tuition is along $600, $700, $800, $900, and it would permit the State university to select, on their own basis, much of what Mr. Blake, I believe, who preceded us here, was saying about not using a rigid test system.

The discretion of an institution should be used to select that person that we think we can help in terms of our institutional objective.

That is why I think SOG should be divorced from BOG. It is because I believe in absolute and relative need, relative need being the SOG. Only in this way can a student in need attend a high tuition institution without a rigid system of nationally imposed testing.

Mr. Biaggi. All right. Thank you, Mr. Fulton and Mr. Hart.

Mr. Fulton. Thank you.

Mr. Biaggi. Mr. Fisher, please?

STATEMENT OF MILES MARK FISHER IV, EXECUTIVE SECRETARY, NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION

Mr. Fisher. Mr. Chairman and members of the Subcommittee on Postsecondary Education, I am Miles Mark Fisher IV, executive secretary of the National Association for Equal Opportunity in Higher Education.

This association represents the historically black colleges and universities of this Nation. There are 107 of these institutions representing more than 200,000 students.

As of this commencement season and extending back to 1966, these institutions would have awarded more than a quarter of a million undergraduate, graduate, and professional degrees to their students.

This exemplifies a mission consistent with equal educational opportunity with access, choice, and achievement.

I am very happy to have this opportunity to testify before this committee on H.R. 3471—entitled the Student Financial Aid Act of 1975.

In keeping with the chairman's statement at the opening of hearings on this bill, I am glad to be numbered among the friends of this committee. I also appreciate the willingness of the committee to hear out the pros and cons of this debate.

In keeping with the nature of these hearings, there is concern about the implications of H.R. 3471 for the black colleges and universities of this Nation along with similarly situated institutions.

As further alternatives are given consideration, it is hoped that we will be able to indicate implications for this segment of the total population for we know that what is ultimately in the best interest of the black colleges and universities will be in the best interest of the Nation.

There are several principles that should be understood with regards to student assistance and the black colleges.

(1) Students who attend historically black colleges need sizable amounts of student financial assistance.

(2) Historically black colleges rely heavily upon the resources derived from student financial assistance.

(3) A variety of student assistance programs are necessary in order to meet the range of needs of students attending these institutions.

The present programs supplemental educational opportunity grant, college work study, direct student loan, have worked well within the limitations placed on them by inadequate funding, restrictive regulations, and some matching requirements.

The basic educational opportunity grant program has much to be desired in terms of accessibility and delivery while guaranteed student loans have their own peculiar limitations.

(4) Present funding levels are less than adequate for the needs of these students.

(5) Student assistance must be increased to more adequately serve the students attending these institutions.

(6) The Federal Government must take the leadership role in assuring students that equal educational opportunity with access, choice and achievement is a reality while providing equal protection under the law for each of its citizens.

(7) Resources should be targeted first to the neediest students from the lower income families who, but for this help, could not be able to participate in higher education.

(8) Student financial assistance and institutional assistance are necessarily related.

(9) Institutions that have served the purpose of providing equal educational opportunity with achievement must not be negated on premature assumptions that all is well and that they are no longer needed.

It is in the light of these principles that the remarks pertaining to H.R. 3471 must be understood.

The Education Amendments of 1972, laid, in principle, the foundation for making educational opportunity real. Its emphasis upon the idea of an entitlement within student aid was an idea that had come of age.

We do not, at this point in history, have the luxury to go against this principle. Students should be assured that they will have adequate resources to enable them to participate in the higher education experiences.

Though student financial assistance is a top priority, it must be seen in the context of the broader picture of higher education in general. Without this total approach, the results will be disastrous.

Equal opportunity requires a representative participation of minority and majority students among types of colleges and universities as well as among types of programs.

Due to the shortness of time, and the novelty of certain ideas, we would recommend further testimony on student assistance in the context of the total bill.

Other considerations such as the latest Carnegie report, the consortium of financing higher education, the Keppel task force, and the task force on the disadvantaged should be looked at for their worth in these deliberations.

This statement will address issues within H.R. 3471 while relating it to present realities within these institutions and their future possibilities.

This treatment is by no means exhaustive but seeks to highlight some of the concerns raised by the proposed cluster of programmatic concepts.

The original intent of BEOG's was to provide access to postsecondary education for all qualified students. The basic grant ceiling would be more realistic at $2,000 with a built-in mechanism for keeping abreast of the increase in the cost of living.

Lowering of the minimum grant to $100 untargets the Federal funds by increasing the number of students receiving this amount.

Removal of the half-cost factor will result in lower income students being forced almost exclusively to 2-year and community colleges and away from participation by students in both sectors of higher education, public and private.

Failure to include assets in the determination of family contribution excludes the main source of student support, that is, family contribution which also cuts into the resources.

Deletion of these assets from the program is premature in that it will increase tremendously the eligibles and greatly dissipate the available resources.

The entitlement concept must be a reality. Funds should be provided at the institution to allow for administration costs.

The present SEOG program makes possible on the various campuses an available source of funds so students will be able to have a varied package of student assistance.

In H.R. 3471, the program is placed in the hands of the Commissioner and withdraws already limited and needy resources from the campus. This would have disastrous effects upon the historically black colleges and universities.

By making BEOG participation a prerequisite for this program, suggests that full cost will be provided minus $1,400 covered by the family contribution and the BEOG grant received by the student.

If the emphasis is on the academic promise rather than a need base, the utilization of a private nonprofit organization for selection imposes upon this program a criteria which up to now has tended to express biases that are cultural, socioeconomic, racial, religious, sexual, and ethnic.

Subjectivity in determining the objectivity of the selection process is subjective, nonexistence of such techniques as the basis upon which the SEOG program will operate.

Those qualified by BEOG grant would be those whose family assets have not been included in the determination of grants and therefore, the BEOG eligibles would be very different from the present mix and those upper limit students will be highly represented and thus eligible and more than likely will receive these grants.

If the purpose of the special programs for the disadvantaged is to identify students of promise and help them prepare for the higher education experience, should this program not have been considered as a source of students?

The State student incentive grant program as proposed, seeks to provide grants to eligible students, a work study program, and additional grants to increase capacity for enrollment of students.

This program should mandate the inclusion of the national priority of equal educational opportunity. National policy is essential to the survival of a large number of institutions that have a history consistent with this priority.

On the State allotments the question is raised, "What does this mean for poor States and those with large number of black students and low-income populations?" Does the status quo prevail and will these programs encourage meaningful change that is necessary in higher education?

There are some serious problems that might arise from the joining together in the same program the veterans effort with uninitiated youth that happen to be nonveterans.

There appear to be differences that make a difference. The level of exposure and maturity of veterans may be higher than that of such students.

The talent search components should also be expanded to add "pushouts" to the list of persons that this program seeks to find and direct to higher heights.

Stipends to students in these programs should be increased to $40 to reflect the rising cost that have come about since the introduction of the $30 limit on stipends.

College work study seeks to stimulate and promote the part-time employment of students and should be funded at a very high level in that it includes three levels of participants, namely; undergraduate, graduate, and professional.

The program should be continued with emphasis upon the students with greatest financial need rather than to whoever wants to work.

Regulations should not make participation in work-study programs a condition for receiving other forms of aid. In the case of low-income students, most of these students need their time to devote to keeping up in their studies.

The new proposal would eliminate the ability to transfer a percentage of funds between CWS and SEOG and that SEOG would have a new format.

In the State formula, if there is to be an increase of participation in the various programs, there must be some way to make accessible resources to increase this participation. This formula may promote the status quo.

The notion of minimum wage is good for a "servant is worthy of his hire." Students should not be discriminated against because they are students.

The matching requirements should be waivered for developing institutions.

The program for direct loans to students in institutions of higher education should continue its capital contributions to institutions.

Time dictates the continuation of this program because of the inaccessibility of loans on the open market to students from low-income backgrounds whose parents do not have an established history of working through banking institutions or because they happen to be nonmajority in their appearance.

The phasing out of the capital contribution in this program makes it harder for students of restricted incomes to get loans to go to college by eliminating this program.

This further helps to channel the low-income and minority student toward 2-year and community colleges of low cost thereby making it a forced choice.

Less reliance on loans is an admirable principle and has long-range implications for low-income populations.

There is concern about the effect of student aid provisions on graduate and professional students. College work-study programs as well as the direct student loan programs should reflect the inclusion of graduate and professional students in the pool of available resources.

Cutbacks in graduate programs as well as professional programs force aspiring students to tap these available resources.

The strong move to make all of the programs quite inclusive might dilute them all to the extent that they become ineffective. There should be a greater increase in the amount of available resources due to the magnitude of the problem.

Cost of education allowances should be available for institutions to enable them to maintain quality institutions for their students.

Tuition and other expenses are only partial payments on the true cost of education. Therefore, a cost of education program would be in order.

There should be a continuation of the waiver to developing institutions of matching requirements by the commissioner in the student assistance programs.

There should be a targeting of resources to low-income students. The only way that these students will fully participate in future Federal programs will be through the notion of targeting student financial assistance resources.

The great need by these students may have the effect of skewing discretion in the direction of those students who can bring more resources to the institutions.

The refund, disclosure and tuition requirements in the bill should be expanded to indicate minority completions and employment of the same.

Inclusive representation of developing institutions in the educational opportunity centers in order that these centers will not be turned into conveyors for channeling students into institutions that may not have a commitment to see them through but that wish to utilize their availability to compliment their financial arrangements, presents another issue.

One of the greatest determinants of whether or not a program does what it is intended to do relates to the regulations and guidelines. The constant shifting and expanding of these regulations makes it almost impossible for institutions and students to plan because by the time they have made their plans the ground rules have been changed.

In order that slippages will be minimized, the intentions should be clear beyond a doubt.

How will the student assistance programs that will be open to full-time and part-time students without discrimination as to age serve the needs of all the persons that want to participate in the postsecondary experience in thousands of institutions?

I raise this because what this really means is that all persons from 18 to 65 will be eligible for the programs which means you have a range in terms of years of eligibility of 47 years.

This has tremendous implications for what the programs might possibly run into with regard to the limited resources.

In attachment B, I have eligibles based on nonage discrimination, just between 18 to 24 years of age and we have a total there of 24,800,000 persons who would be eligible just between the ages of 18 and 24 if this were presented on through age 65.

Then you would have a tremendous number of eligibles that these programs would have to contend with if they are going to provide certain services to this particular group of persons.

Mr. Biaggi. That chart indicates all those people up to 65 who might be eligible?

Mr. Fisher. No, that one just goes to age 24, 18 to 24, which is basically the normal college age population, but there is a trend now to have a lot of older students involved in the experience.

When you increase the pools of eligibles and all these people have a right to the resources, then what you really have in terms of participation and who goes and who does not is what is presented above.

The question is what must be done to insure that the mix of persons participating in this experience across institutions and within institutions is representative of the hopes and aspirations of the citizens of this Nation.

How do we guarantee that the national student assistance policy which purports to further the cause of equal educational opportunity with access, choice and achievement does not work at cross purposes with this idea by disarranging viable options and institutions which have in fact always expressed these ideals with achievement?

Before discussing the tables, the concluding statement is that unless we adequately address the issue of equal educational opportunity with access, choice and achievement in the new amendments, we will never have this opportunity again.

[The following tables were submitted:]

ATTACHMENT A

FULL FUNDING REQUIREMENTS OF STUDENT FINANCIAL ASSISTANCE PROGRAMS AT HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (BASED ON ACADEMIC YEAR 1973-74)

Program	1973-74 allocation	1973-74 additional funds required	Full funding requirements
EOG/SEOG	$22,796,248	$15,207,000	$38,003,248
CWS	26,687,677	13,741,400	40,429,077
NDSL/DSL	19,099,967	13,156,300	32,256,267
BEOG	6,764,100	160,521,600	167,285,700
Total	75,347,992	202,626,300	277,974,292

PROJECTED IMPACT OF H.R. 3471 ON HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (BASED ON PRESENT STUDENT ASSISTANCE PROGRAMS)

Program	1972-73	1973-74	1974-75	1975-76 [1]	1976-77 [1]	1977-78 as proposed in H.R. 3471
EOG/SEOG	$23,768,307	$22,796,248	$25,860,400	$25,860,400	$25,860,400	(2)
CWS	30,365,725	26,687,677	25,357,404	25,357,404	25,357,404	$25,357,404
NDSL/DSL	18,903,336	19,099,967	17,229,603	17,229,603	17,229,603	(3)
Total	73,037,368	68,583,892	68,447,407	68,447,407	68,447,407	25,357,404
BEOG (estimated amount)		6,764,100	14,000,000	17,500,000	21,000,000	21,000,000
Total (estimated)	73,037,368	75,347,992	82,447,407	85,947,407	89,447,407	+46,357,404

[1] Assumes 1974-75 level.
[2] No SEOG.
[3] Only amounts from collections.

FUNDING LEVELS OF CAMPUS-BASED PROGRAMS AT HISTORICALLY BLACK COLLEGES AND UNIVERSITIES, ACADEMIC YEARS 1972-73, 1973-74, AND 1974-75

	1972-73	1973-74	1974-75	Difference 1972-73 and 1973-74	Difference 1973-74 and 1974-75	Difference 1972-73 and 1974-75
EOG/SEOG	$23,768,307	$22,796,248	$25,860,400	−$972,059	+$3,064,152	+$2,092,093
CWS	30,365,725	26,687,677	25,357,404	−3,678,048	−1,330,273	−5,008,321
NDSL/DSL	18,903,336	19,099,967	17,229,603	+196,631	−1,870,364	−1,673,733
Total	73,037,368	68,583,892	68,447,407	−4,453,476	−136,485	−4,589,961

ATTACHMENT B

ACE/UCLA COOPERATIVE INSTITUTIONAL RESEARCH PROGRAM, FALL 1974, WEIGHTED NATIONAL NORMS FOR ALL FRESHMEN: ESTIMATED PARENTAL INCOME

Estimated parental income	All institutions	All 2 year colleges	All 4 year colleges	All universities	Predominantly black colleges
Less than $3,000	3.4	4.5	3.2	1.8	15.6
$3,000 to $3,999	2.6	3.3	2.7	1.4	12.4
$4,000 to $5,999	4.6	5.5	4.8	2.0	14.7
$6,000 to $7,999	5.7	6.8	5.5	4.1	13.4
$8,000 to $9,999	8.0	9.4	7.5	6.2	11.9
Total	24.0				68.0
$10,000 to $12,499	15.5	17.4	14.6	13.7	10.9
$12,500 to $14,999	13.5	14.9	12.7	12.9	6.2
$15,000 to $19,999	16.6	15.7	16.7	17.8	6.5
$20,000 to $24,999	12.0	10.4	13.2	14.2	3.6
$25,000 to $29,999	5.9	4.5	6.3	7.7	1.9
$30,000 to $34,999	3.9	2.7	4.4	5.2	1.2
$35,000 to $39,999	2.4	1.6	2.7	3.2	.7
$40,000 to $49,999	2.2	1.3	2.4	3.2	.6
$50,000 or more	3.8	2.3	4.3	5.8	.5
Total	75.8				32.1

ELIGIBLES BASED ON NONAGE DISCRIMINATION; 18 TO 24 YEARS OLD, 1973

	Black	White	Total
Both sexes:			
Total persons 18 to 24 years	3,114	21,766	24,880
Number enrolled in college	498	5,438	5,936
Percent of total	16	25	24
Male:			
Total persons 18 to 24 years	1,433	10,511	11,944
Number enrolled in college	266	3,032	3,298
Percent of total	19	29	27
Female:			
Total persons 18 to 24 years	1,681	11,255	12,936
Number enrolled in college	231	2,406	2,637
Percent of total	14	21	20

DISTRIBUTION OF FAMILIES BY INCOME IN 1973 (ADJUSTED FOR PRICE CHANGES IN 1973 DOLLARS: FAMILIES AS OF THE FOLLOWING YEAR)

Income	Negro	White
Number of families	5,440,000	48,919,000
Percent	100	100
Under $3,000	16	5
$3,000 to $4,999	18	8
$5,000 to $6,999	14	9
$7,000 to $9,999	17	15
Percent	65	36
$10,000 to $11,999	9	11
$12,000 to $14,999	10	15
$15,000 and over	16	38
Percent	35	64
Median income	$7,269	$12,595

EXCERPTS FROM INGREDIENTS FOR AN IDEAL STUDENT AID PROGRAM

(By Miles Mark Fisher, IV)

The following excerpts were taken from my statement on Ingredients For An Ideal Student Aid Program. These excerpts contain program suggestions for enhancing student assistance programs as well as sets forth some general principles that must govern all student assistance programs for the foreseeable future if equal educational opportunity is to be approximated as a reality.

Program suggestions are as follows:

BASIC EDUCATIONAL OPPORTUNITY GRANTS

1. Changing of the Family Contribution Schedule to make it more equitable.
2. Intensive advertising of this program.
3. Full funding of the program in addition to continuing the other college based programs, namely: College Work Study, Direct Student Loans, and Supplemental Educational Opportunity Grants.
4. Institutional costs for handling the Program.
5. Simplification of the application form.
6. Early availability of the materials for this program.
7. Minimizing of the consideration of Social Security payments and Welfare benefits in the calculation for this program.
8. Inclusion as soon as possible of all the students through adequate appropriations.
9. The Family Contribution Schedule and the Schedule of Payments should be available by February 1 of the year of expected Fall enrollment in order that financial aid packages can be put together at a very early date.
10. High school guidance and counseling programs should have a greater role to play in preparing students for this program.
11. Utilization of all available community resources is necessary for program success.
12. Increase grant size.
13. More involvement of college Financial Aid Officers in the Program.
14. Renewable grants without necessitating annual filing process.
15. Independent student regulations should be designed to help students who want to go to school.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAMS

1. Increase grant size.
2. Waiver matching requirements as it impedes management flexibility.
3. Modification of state allotment formula so that students who need the money will be in a position to obtain them.
4. Increase the Administrative Cost for the Institution to provide a wider range of services to the student population.
5. Change state percentages to give more assistance to developing institutions on a need basis.
6. Allow the transfer of funds between SEOG and Work Study Programs and vise versa.

COLLEGE WORK STUDY

1. Drop the institutional matching requirement for the program.
2. Modification of the State allotment formula.
3. Establish authorization on the average of the Panel Review levels for the previous three years.
4. Target a percentage of these funds to low-income students.

DIRECT STUDENT LOAN

1. Drop the ten percent matching requirement.
2. Modify the State allocation formula.
3. Maintain ceiling in all loans at the graduate and undergraduate levels.
4. Restore permanent disabilities and death cancellations.
5. Permit cancellation of uncollectable loans of 7 years or more upon proof by the institution that it has exhausted all collecting possibilities.

6. Continue teacher cancellation and include professional areas and community services.
7. Keep the interest rate low.
8. Include a reasonable sum of administrative cost so that initial and final counseling will be adequate.
9. Institutional awards related to the *real* financial needs of the students.

GUARANTEED STUDENT LOANS

1. Notification of institutions when a loan is made.
2. Administrative cost for the program.
3. Greater security to lending institutions whereby they will make more loans to minority students.

COOPERATIVE EDUCATION

1. Increase the Government participation in this program at the local, state, and national levels.
2. Build in carreer counselors, counseling services and faculty travel into program cost.
3. Provide internships for private industry.
4. Establish Career Awareness Centers at all participating institutions.

COST OF EDUCATION ALLOWANCES

Cost of Education Allowances should be available for institutions to enable them to maintain quality institutions for these students. Tuition and other expenses are only partial payments on the true cost of education. Therefore a cost of education program would be in order.

There are certain general principles that must govern all student assistance programs for the foreseeable future if equal educational opportunity is to be approximated as a reality, namely:

1. Federal initiatives and role must be prominent.
2. Relief must be granted from matching requirements.
3. Corrective mechanisms must be provided for supplementing advanced funding of student aid programs in order to address changes in Fall enrollments.
4. Adequate resources must be provided to do the job.
5. A diversity of programs must be maintained for different situations of need.
6. A targeting of resources is necessary if low-income students are to have a chance.
7. The continuation of awarding low-income students aid should move from grants first to loans as the last resort.
8. The elimination of matching requirements in all programs for developing institutions.
9. Inclusion of a reasonable administrative cost for all student aid programs.
10. Authorization of other programs must be increased in keeping with the BEOG concept of full funding to guarantee the resources to provide real opportunity.
11. The Panel Review approvals in the prospective programs for the past three years should be used as the base for authorizing the programs for the future. This should allow for the cost of inflation.
12. Students who attend developing institutions need sizeable amounts of student assistance.
13. Historically developing institutions depend heavily upon the resources derived from student assistance programs.
14. Student assistance must be increased to more adequately serve the students attending these institutions.
15. Funds to States based on federal formulas should consider the equitable distribution of funds with guarantees that funds go where they are needed most.
16. Student assistant programs cover part-time/halftime as well as fulltime students.
17. Graduate Fellowships should be continued with special emphasis on minority students at the masters and/or doctoral levels.

18. Health Professions Fellowships and Scholarships should be supported at high levels.

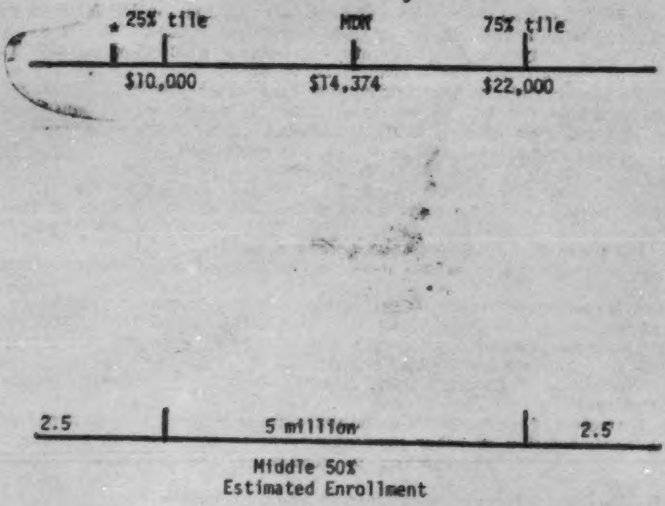
19. Scholarships not based on need should be provided as incentives for students to attend college.

20. Resources should be provided for student recruitment.

CONCLUSION

The role of the Federal Government in Student Assistance efforts will be vital to the future of institutions of higher education. It is obvious that a greater effort by the public sector is essential to fulfill a true commitment to equal educational opportunity. The government has a moral obligation to work wholeheartedly towards the realization of this objective for all. The recommendations that have been presented in this report suggest practical means to enable the Government to live up to this obligation.

TRADITIONAL HIGHER EDUCATION CLIENTELE
INCOME DISTRIBUTION



*Mdn income of families of Black Freshmen in 1974 is $6,755 (estimated from 1971 data)

The chart indicates what the competition will be like between low income groups and the traditional clientele. Even if the median is set as a need ceiling, the going will be very rough for blacks in an "open" versus "earmarked" student aid system.

I would like to refer your attention to attachment A. In attachment A, we have the full funding requirements of student financial assistance programs at historically black colleges and universities based on academic year 1973-74.

In the left-hand column, we have the allocations. This is the amount of money that went to these institutions and in the next column, we have additional funds these institutions said they needed to adequately carry out their program.

In the third column, we have what would have been the full funding requirements of these institutions. The allocations ran $75 million. The full funding requirements would have run $277,974,292. That is the magnitude of the problem just within this range of institutions.

On the next page, we have the projected impact of H.R. 3471, based on the student assistance programs. If you look at this chart, it indicates that in two of the programs from the year 1972 to 1973 and 1973 to 1974, there was a decrease in the amount going to these institutions.

In 1972 to 1974, there is a decrease in total resources but an increase in the SEOG program. I took a logical projection assuming that aid is bottomed out in the worst of the situations.

In 1975 to 1976, we would have basically the same amount of resources going to these institutions, with additional resources for the BOG program.

In 1976 to 1977, which is now being debated among the Appropriations Committees, assuming we have the same amount of resources available, this would mean we would have an increase because of the BOG program to 1976 to 1977. But in 1977 to 1978, if this bill would have been made law, there would be no SEOG's going to these institutions.

The very nature of the merit arrangements within the SEOG program would more than likely send most of the students to high cost institutions and they would probably be recruited especially to go to these types of institutions.

We really could not count on that money, which means that you are knocking out something like $25,860,000 out of these institutions, in terms of money they would have the right of discretion to give out to their particular students.

If you look further at the direct student loan program, this program would be only based on the amounts of funds that would be collected. Assuming that the college work study maintained itself, we would only have $25,327,404 that we could actually count on as money we know the institutions are going to be able to receive in the work study program.

Assuming the BOG program runs to about $21 million, these institutions will have taken a dip in terms of the moneys within that institution from $89 million to $46 million.

This is the kind of problem if you logically extend the bill that would be put upon these kinds of institutions. I want to move over to a couple of other charts that I have, attachment B.

This is the American Council of Education and the UCLA cooperative institutional research program for the fall of 1974. These are the weighted norms for all freshmen. If you look over in the far left corner, there are figures which run by estimated family income.

In the far right column we have predominantly black colleges. You will see in all institutions only 24 percent of the students come from families with less than $10,000.

If you look in the far right column of predominantly black colleges, about 68 percent of the students come from families with less than $10,000.

If you look above $10,000, you will find that in all institutions, most students come from families of $10,000 whereby at the historical black colleges, you only have a 32.1 percent, so you are talking about servicing different types of populations in terms of student aid.

Anything that does not seek to focus or to deal with these kinds of problems that are presented by this computation, ultimately will work against them as such.

The untargeting and opening up of funds, puts a tremendous responsibility on the financial aid offices and if you take this aid away from the institutions, then the students are really at a loss.

If the financial aid officer had to make a choice between giving $3,000 to a low income student from a poor family who needs $3,000 or giving three students $1,000 each or six students $500 each, more than likely in his discretion, he is going to opt for the six students or the three students and that is because we are in a period of a numbers crunch and institutions need bodies on campus.

They are going to do anything they can do, to guarantee that they have bodies there. That is the way you get them, to disburse the money around where you get the most effect for the dollar.

Mr. Biaggi. It is also a time where the institution has to make tough decisions whether we do indicate one completely or six. These are difficult decisions, are they not?

Mr. Fisher. Yes. The last chart I have is on the distribution of families by income for 1973. This indicates that basically the blacks that are in school follows the census of figures, whereas the white students in school basically follow a different pattern.

They have 36 percent of the whites under $10,000 and 64 percent above $10,000 a family. When you look at the institution, as a rule, only 24 percent of the students under $10,000 as opposed to 64 percent.

More of the upper income white families go to college as opposed to the lower income families and I think the census figures will bear out the difference in that when you look at the black population, their figures are pretty consistent with the census figures.

Mr. Biaggi. Thank you, Mr. Fisher. I would like to make one observation. I keep injecting it only for the purpose of what was a education process, the blacks have done a commendable job in that area and rightly so.

The recent vintage of the Italo-American population has awakened to the fact that their young people are suffering similarly, so if a study was made, I am sure you would find a comparable situation.

I relate to page four where you stated, and I have to assume in light of the statistics, although there seems to be some conflict, would you be for the removal of the half cost factor?

Mr. **Fisher.** That is a big debate.

Mr. **Biaggi.** I know it is.

Mr **Fisher.** It depends on what the resources would be and what the amount of the grant would be. If you do not have that in there, you are really talking about a grants program straight across the board. That is a new ball game.

I think I would have to see some figures on what that really means and the numbers of students that are involved, I think, before I could really make a judgment on that.

Mr. **Biaggi.** I know it is a conflicting situation. Mrs. Chisholm?

Mrs. **Chisholm.** Thank you. I am going to just go back to something that my dear friend, Mario has said. He said it earlier and a few moments ago. That is in respect to the Indo and Italian population.

I think we have to realize that America is composed of nothing but minority groups, Italians, Puerto Ricans, America is not really a melting pot, it is a salad bowl, with all kinds of minorities here.

As a person of the black minority, I often find myself rather reluctant to talk about it because they say, there they go again, but I think something has to be made clear for the record.

One of the basic concerns all of us must face up to is that all other minorities who have come to these shores seeking to find some kind of haven or to realize some of their aspirations and dreams, right from the beginning have had a passport to American society which makes them different from the black minority.

That is, that they had a white skin. This is very distressing. I think when you look at the other minorities, no one was born with a silver spoon, many of them did not have a thing because of the nature of how this country is made.

Sometimes people forget that the black minority—I dare say if we look at the Polish people, the Jewish people, the German people, the Italian people, and put them on a track with black people in terms of their accomplishments, in terms of the industries and the businesses or what have you, they are in today proportion with their population, that you would find a very interesting curve.

I just felt I had to say that because it distresses me. All of us know that America is composed of nothing but minorities, but the black minority has had a very special problem by virtue of the amount of color in his skin.

No one has been able to, and this is very important, rise because they had the right but they have had something going for them that we never had.

Saying that, I would like to ask you this question. Do you feel that the thrust of the 1965 amendments which pertained to student financial aid, which really outlined this question of the equality of educational opportunity and some kind of access, is really being denied now in this new legislation that we are grappling with and trying to work out?

Mr. FISHER. Ms. Chisholm, I think in 1972, a trend went in that direction with the 1972 amendments, where there were persons who were working to take out low income and things like that and moved the amendments to a concept of need which meant anyone could have need at whatever level they existed.

That has been one of the things that has put us in the bind that we are in today. When you look at what has happened in these amendments, there is a further going away from really sort of saying people are going to have this kind of opportunity.

We had hoped in 1972 that the BOG's program, that the money would be out there and something would happen. The first year of the BOG's program, they had money to turn back. This year they have $100-odd million that they are trying to get carryover into next year.

That money—some of the students in these institutions should have that money right now and they do not have it. If you look at what happened on the 1972 amendments, this is what I was really trying to say at the last shot I had in the 1972 SEOG program.

The black colleges had $27 million. In 1973 to 1974, this was decreased by $972,000. The college work study program in 1972 was $30,365,725. In 1974, that program is down to $25,357,404, a difference of minus $5 million.

If you look at the direct student loan program, it went from $18 million up to $19 million in 1973 to 1974 and back down to $17 million which is a minus $1,673,000.

In terms of the fruit of the effort, it says if you measured in terms of who is getting money to do what in these institutions, they had more in 1972 than they have in 1974–75, it may say that something has gone wrong.

I would like to preface it again by saying that the State of Ohio did a study and this study indicates as a result of the change in the 1972 amendments, there are fewer low-income poor and minority students in the higher education institutions of Ohio now than there were in 1972.

That again shows that whatever happened, the trend is moving against more participation by many of the populations that originally were thought to be included in these amendments.

Ms. CHISHOLM. Thank you. I have no further questions.

Mr. BIAGGI. Mr Buchanan?

Mr BUCHANAN. Thank you, Mr. Chairman. On page 4, you indicate, "due to the shortness of time, and the novelty of certain ideas, we would recommend further testimony on student assistance in the context of the total bill." Would you, for example, like the opportunity to come back and testify again?

Mr. FISHER. Yes, I would appreciate that opportunity. Pulling the student aid bill out in isolation from the other kinds of considerations has certain kinds of implications.

If you are going to have positive education allowances, how does student aid tie in? I think these connections and these linkages should be seen in the total context.

Otherwise, you can make decisions now and close up sections which you may need to reopen later and your position today may be something different tomorrow when you look at all of the things that are involved in the total picture.

I think that is really what I am saying. For instance, there may be some other bills in the hopper which have not come up.

Mr. BIAGGI. You know what those bills mean, Mr. Fisher, as well as we do and I think the gentleman from Alabama's suggestion that you return to testify further is a good one. The next hearing is scheduled for Monday, March 24, at 9:30 in this room.

Will you talk to the staff about arrangements?

Mr. FISHER. Yes.

Mr. BIAGGI. This hearing is adjourned.

[Whereupon, the committee adjourned at 12:22 p.m.]

THE STUDENT FINANCIAL AID ACT OF 1975

MONDAY, MARCH 24, 1975

House of Representatives,
Subcommittee on Postsecondary Education
of the Education and Labor Committee,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:30 a.m., in room 2261, Rayburn House Office Building, Hon. John Brademas presiding.

Members present: Representatives Brademas, Eshleman, Mottl, Buchanan, and Mrs. Smith.

Also present: Jim Harrison, staff director and Robert Andringa, minority staff director; Mr. William Diefenderfer, minority counsel; and Mr. Mooney, administrative assistant to Congressman Brademas.

Mr. **Brademas**. The Subcommittee on Postsecondary Education will come to order for the purpose of further hearings on H.R. 3471 and related measures.

The Chair should announce that the chairman of this subcommittee, Mr. O'Hara, must be on other business and asked me to chair the hearings today, and the full Committee on Education and Labor has just had under consideration another measure, which explains my delay in getting here, and that of my colleagues, so we have about an hour for our three witnesses today. If they, therefore, would be kind enough to summarize their statements they will be printed in their entirety in the record, and that will give the members of the subcommittee an opportunity to put some questions.

Our first witness is Mr. William A. Fowler, executive director of the National Home Study Council, accompanied by Bernard Ehrlich, legal counsel for the National Home Study Council.

Gentlemen, we are glad to have you with us. You may proceed.

STATEMENT OF WILLIAM A. FOWLER, EXECUTIVE DIRECTOR OF THE NATIONAL HOME STUDY COUNCIL, ACCOMPANIED BY BERNARD EHRLICH, LEGAL COUNSEL FOR THE NATIONAL HOME STUDY COUNCIL

Mr. **Fowler**. Thank you, Mr. Chairman.

My name is William Fowler. I am the executive director of the National Home Study Council, and I also am the executive secretary of the accrediting commission of the National Home Study Council.

We are pleased to have the opportunity to appear before you today to give our comments on the Student Financial Aid Act of 1975, particularly the provisions of H.R. 3471 which relate directly to home study education in this country. We will be happy to answer your questions at the close of our presentation.

Before proceeding to give our views on H.R. 3471, I believe that it would be helpful to provide you with some background on the work of the National Home Study Council and the Accrediting Commission for private home study schools and to tell you about its philosophy, policies and procedures. Ours is a unique organization operating in a unique field—the field of home study.

The National Home Study Council is located at 1601 18th Street, NW, Washington, D.C. It is a nonprofit educational association of some 130 accredited home-study schools which has been a leading advocate of quality correspondence education in America for 49 years. The NHSC was founded in 1926 under the cooperative leadership of the Carnegie Corp. of New York and the National Better Business Bureau.

From its beginning, when a handful of quality schools banded together under the visionary leadership of Dr. John S. Noffsinger, home study education has gained academic respectability and can point to a record of solid achievement in providing an invaluable social service to millions of Americans who, without the benefits of home study, would surely have been denied an opportunity for education or training.

Today, over 2 million Americans are enrolled in more than 700 private home study schools. One hundred and thirty of these schools—representing 72 ownerships—are accredited, and nearly 1.5 million students are enrolled with them. Only accredited schools may be members of the Council. Accredited schools offer some 500 different academic and vocational courses. These accredited schools are located in 23 States, butt hey enroll students from every walk of life in every State of the United States and from many foreign countries. About one-fifth of all NHSC accredited schools are nonprofit institutions. Correspondence instruction has a long and successful record in American education.

In the early 1950's the need for accreditation in the private home-study school field became evident. After careful study, the NHSC established an independent, non-profit, nine-member Accrediting Commission. In 1959, after establishing a record of success, the NHSC Accrediting Commission was approved by the U.S. Commissioner of Education as a nationally recognized accrediting agency. The most recent extension of the Commission's recognition was in 1975. The Council and the Accrediting Commission are also recognized by and a member of COPA—the Council on Postsecondary Accreditation—which was established to coordinate accreditation activities in postsecondary education and to give non-governmental recognition to reliable accrediting agencies.

The Accrediting Commission of the National Home Study Council is national in the scope of its operations and provides institutional accreditation for private and public home-study schools. It is unique in that eligibility for accreditation is based on method of instruction rather than on subjects taught or level of instruction offered. Most of the accredited schools are postsecondary and vocational or skill oriented, but some schools offer elementary, secondary, collegiate and post-collegiate courses and some offer avocational programs.

The Commission is completely independent, and application for accreditation is made voluntarily. Commission decisions cannot be vetoed or modified by any other individual or group, including the National Home Study Councl.

Nine men and women serve on the Commission. Five Commissioners repesent the public and four are executive officers of accredited schools. The Commission is, to our knowledge, the only recognized accrediting agency in the country with a majority of public Commissioners.

The Commission has established educational and business standards which all schools must meet to become accredited. In addition to requiring quality educational programs, these standards also require accredited schools to: Enroll only students who can be expected to benefit from the instruction; show satisfactory student progress and success; be honest in their advertising and promotional materials; carefully select, train, and supervise field representatives; show ample financial resources to carry out obligations to students; use reasonable tuition collection methods and have satisfactory refund policies; and demonstrate a satisfactory period of ethical operation.

All schools must undergo initial and periodic evaluations, with every school being completely re-examined at least every 5 years. Schools furnish the Commission comprehensive annual reports, and the Commission can remove accreditation from a school for failure to meet the published standards.

Special reviews are conducted when the ownership or management of a school changes or when serious problems are in evidence at a school. Complaints against schools are carefully analyzed on a continuing basis to ascertain problems and examination reviews are promptly ordered if necessary.

The National Home Study Council and its Accrediting Commission have always been intensely aware of their roles and responsibilities in the area of protecting the education consumer, and our organization's response to the needs of consumers pre-dates the "consumer movement" in this country. Ours was one of the first agencies to adopt a policy to allow students to cancel and receive a refund. The present policy is one of the most liberal—to students—of its kind. It is a performance-based policy that allows students to receive nearly half of their tuition back if they discontinue at the mid-point of their studies. Ths policy was recognized by Congress and included in the 1972 amendments to the G.I. Bill.

Since the turn of the century, home study education has been an essential part of American education. It is frequently the only form of education beyond high school available to adults, particularly the working heads of households. Congress has previously recognized the essential role of home study by making it possible for home study students to qualify for the various forms of educational assistance addressed in H.R. 3471.

Since 1969, students enrolled with accredited home study schools have been eligible for and have participated in the guaranteed student loan program (GSLP). Of the 72 NHSC institutions, only a few have enrolled any substantial number of students under this program.

Home study students have also been eligible for other Federal assistance programs such as basic educational opportunity grants and other forms of assistance, but Congress has not appropriated funds for these other programs for half-time students. Thus, these other programs have never actually been available to home study students.

In making home study eligible for Federal assistance, Congress recognized that American citizens ought *not* to be denied the opportunity to enroll in the educational institution of their choice because of a lack of funds. The Commission, keenly aware that accreditation brings eligibility and recognizing the possibility of problems in the only program available to home study students—the GSLP—faced its responsibility and, in 1969, adopted special standards and rules for home study schools with students participating in the GSLP. This was the first year of eligibility for NHSC schools. The Commission did not permit schools to participate in the program until these special standards were adopted and published. These special standards went far beyond the law or the regulations and controls set up by the Office of Education and we believe these standards are the chief reason why the overall default claims of eligible home study schools in the GSLP have been relatively small. Copies of the NHSC standards are attached to this statement. A reading of these standards will show that, in several areas, they still go beyond the requirements of the 1975 regulations and the provisions of proposed legislation. The major provisions of these special standards for the loan program developed by the NHSC include:

One: A loan student applicant recives automatic cancellation of his enrollment and incurs no obligation if his loan application is not approved.

Two: Schools must require a loan student to make a down payment on his tuition.

Three: Schools must obtain authorization certificates from loan applicants directing lenders to pay loan proceeds to the school. Authorization is also required to assure that refunds are to be sent directly by the school to the lender to reduce the outstanding loan balance.

Four: Loans may be made *only* for the cash price—tuition—of the course.

Five: Default claims to the Federal Government under the guarantee provision may be made only for the amount of unpaid principal balance determined under the terms of the school's Cancellation and Settlement Policy, less that school's established percentage of uncollectable value for non-loan student contracts.

These special standards are evidence of the sense of responsibility home study schools have exercised with respect to the GSLP. These standards were adopted voluntarily and they characterize the self-imposed restraint home study schools have used.

At the time these standards for home study schools were drawn up, the necessity for the legality of these standards was questioned by the USOE. Moreover, USOE said that one proposed standard which would have set a limit on the fraction of revenues which any one school could derive from the GSLP was illegal, and we therefore did not include this standard in the final published standards for NHSC schools.

My reason for discussing our standards and the background on the adoption of our standards, is to show that the elimination of home study students from this and possibly other Federal programs is not in any way warranted by the record established by the schools or the students themselves. We are strongly opposed to the provision of H.R. 3471 which makes correspondence school students ineligible for assistance.

Turning to the specific provisions of H.R. 3471, I would like to discuss the language contained in part F, Section 496(b) page 112, lines 5 through 11 which state:

> Assistance under this title shall not be used in any educational program which is primarily conducted by correspondence, except that a student who by reason of physical handicap or geographical distance is unable to participate in a residence program may, subject to regulations of the Commissioner, be eligible for a loan under Part B if enrolled in a program of correspondence study.

Mr. Chairman, we oppose the passage of this provision for the following reasons: By denying eligibility to home study schools under this title, the bill undeniably discriminates against an entire class of people, that is, those who choose to enroll in a home study course to get an education or obtain a needed job skill.

We are deeply concerned that the provision singles out and discriminates against such students at a time when the economic condition of our Nation would indicate these people need more assistance—Federal and otherwise—to help them get new skills and jobs.

We respectfully submit that each qualified student should have the opportunity to enroll in the school of his choice. A student who chooses to enroll in a program offered by a quality home study school should not be denied the chance to prepare to keep or get a job just because such schools, because of the educational method they offer, are ignored or excluded from eligibility for Federal assistance programs by legislation.

We sense in the provision a lack of understanding of the nature of home study education, and perhaps a lack of knowledge about the kind of person who enrolls in a home study course. We also sense that "home study education" is being excluded from eligibility because it is thought to be an inferior or ineffective way to get training or an education.

Who is the average student? Why is the home study student so unfairly singled out in this provision?

Data we have indicate that, more often than not, the typical home study student is an older and more mature person—the overwhelming majority are family people—employed full time and at least 25 years old at the time of enrollment. Full-time employment does not mitigate the need for tuition assistance. In fact, home study students typically earn less than $10,000 per year, and these days that is barely enough to pay essential family and household costs. We can think of few individuals in any socioeconomic group in American society who have *more* financial need. The statement that "those who are working full time . . . should therefore not be in financial need" is at best wishful thinking.

This statement also reflects an apparent bias against the "independent" student—the working man or woman with a family to support. He or she works 8, 9, or even 10 hours each day only to come home at night and, amidst very real family demands tries to get an education through home study. With statistics indicating that the individual worker faces from four to seven job changes during his working life, one would expect to see "independent" students being given more, not less, support.

Instead, the provision only serves to *penalize* students who are at least as deserving of Federal assistance as their dependent, unobligated and non-tax-paying younger brothers and sisters.

Also, we do not understand why the employed home study student should be considered to have less need than any other half-time student who is employed in a full- or part-time job. Yet, under the provisions of the proposed bill, an employed student who attends class on a half-time basis would remain eligible for assistance.

> The provision, by design, limits the access to education for many thousands of students. Home study schools offer students a wide variety of courses to choose from, with offerings in such areas as: accounting, appliance servicing, architecture, automotive mechanics, boating and seamanship, business administration, celestial navigation, cost accounting, interior design, dress design, diamond setting and appraisal, electronics, hotel-motel operations, landscaping and gardening, locksmithing, radio-TV repair, real estate, surveying, and yacht and boat design.

Even though a student may live next door to a community college, the chances may well be that the only way he can get the *specialized* training he wants is by enrolling in the institution of his choice. The provision has the effect of forcing a prospective student into a program he does not really want, only because he could not enroll in a home study school offering a course better suited to his personal needs.

Adult students choosing home study courses may do so because of their present job commitments and the time required to pursue a course in residence may be too long and may interfere with the business of surviving in the modern world. Why must Federal support for education be only for the young and the inexperienced —the "dependent" students who have no social, career, or family commitments? What about the 54 million Americans—one quarter of the population—who never finished high school? Many of them lack even the most basic job skills necessary to survive in a technological society, and 75 percent of them earn less than $5,000 per year. According to a recent report, "A Target Population In Adult Education," adults who try to get ahead with a basic education are "fighting tremendous statistical odds." The 35- to 44-year-old group will increase 83 percent in the 1980's, and home study education may well be the ideal educational delivery system to reach these adults. Should the groundwork be laid now that could allow future generations of adults to be discriminated against? That is what the legislation before you could do.

We are also troubled by the statement in the Congressional Record of February 20 that "* * * I do not believe we should discourage the—open admission college—experiment by * * * barring students at such schools from aid programs." If experimental colleges are to receive Federal support, why "bar" home study schools? Is a program valid only because it is offered by a college and the outcome is a degree?

Home study schools could also very well be thought of as "experiments" worth supporting. Home study schools have already shown that they offer students the following significant advantages:

One: Home study is easily accessible to students. It is, in effect, as close as the nearest mailbox.

Two: Similarly, home study permits the student to study whenever it is convenient to do so, at home, at military bases or on ships, at the office—wherever he has free time. Indeed, a recent study by one of our larger schools showed that 43 percent of its students moved at least once during the course of their studies.

Three: Whatever other interests or responsibilities an individual has, by utilizing the home study method a student may readily adjust the tme he or she wishes to devote to educational pursuits to the rest of his or her daily schedule.

Four: Home study students can study as their other employment and family responsibilities permit. Even those holding full-time jobs may continue their education and training through home study courses.

Five: Home study permits students to study at their own pace, spending as much or as little time as is required for a complete understanding of the material involved.

Six: Home study appeals to people reluctant to get into the competitive atmosphere of the ordinary formal classroom.

Seven: Most home study courses are designed for practical application in real-life situations. Unlike many academic and residence school courses, their emphasis is on practical problems and on application of what is being taught.

Eight: Because the home study method, and often the subject matter, differs from traditional instruction, it appeals to many "turned off" by formal education.

Nine: Home study courses are more economical than either full- or part-time residence study. Tuition is reasonable and there is no board, room, or transportation to pay.

Ten: Home study courses are often available in subjects not taught in regular, academic schools.

Eleven: Home study courses can provide personalized instruction and permit individualized contact between each student and his teacher as the course progresses.

Twelve: When the student is employed, home study can provide training which may be immediately applied on the job.

These advantages merit continued and even increased Federal support. I know of no reason why students in experimental colleges should receive support while home study students should be denied it. If such denial of support takes place, then I am disappointed and have little hope for the future of either American education or Federal involvement in education.

Home study school have acted responsibly under the GSLP, and the cutting off of the eligibility of home study school students for this Federal program, as well as other Federal programs, has no basis in the past record of performance of these schools.

We have cited the many controls placed on home study schools participating in the existing loan program by our accrediting commission.

Yet we recognize that there has been criticism of home study schools participating in the GSLP, particularly with respect to the default rates of home study schools. We have not been able to learn from the USOE or anyone else the specifics of these criticisms. So far as we can learn, they are *entirely* unsubstantiated. The facts, instead, are these:

First, the USOE's latest analysis of home study involvement in the GSLP, made in March 1974, stated: "Overall default claims for (home study schools) were relatively small."

Second, we have *not* been able to obtain figures from the USOE on home study school default claims, yet we have been told that the default rate for home study schools is well below the current national rate for all institutions.

We submit that home study schools have acted responsibly under the loan program and their performance in no way merits a denial of eligibility for this program and for other programs.

Home study students cannot participate in the guaranteed student loan program under State guarantee agencies as they are presently structured.

Eliminating the discriminatory language of section 496(b) would only be *one* change necessary to provide equal treatment for home study students.

The availability of money from commercial financial institutions for student loans is severely restricted by the administrative burden incurred on the banks in order to make such loans, the nonnegotiability of the loan instruments, the unattractively—to banks—low interest rates for loans, and recent HEW interpretations regarding the extent of the Federal insurance for loans.

Home study schools who act as lenders would incur an additional problem. There is not a single State guarantee agency which will insure loans for home study students. Therfore, unless home study schools are continued as lenders, the home study student would still be deprived of a chance to secure a student loan.

The NHSC has extended to this Subcommittee (as well as to all interested agencies) its offer of assistance to *resolve* problems. Our own special standards indicate that we have the desire and the "know how" to be of assistance. The provision in part F is, to our thinking, an arbitrary and unfair attempt to solve "alleged" problems with home study schools by denying large numbers of students needed Federal support—rather than attempting to work with concerned and responsible agencies and schools to solve real or imagined problems to the satisfaction of all with the welfare of students always in mind.

In the simplest of phrases, we believe that the language of part F is an effort to sidestep a potentially difficult and troublesome area—an apparent refusal to accept home study education as a valid part of postsecondary education and a step backward for America at a time when the kind of people who enroll in home study courses need help more than they ever have.

No one will deny that problems exist in the present structure of student financial aid. However, the new USOE regulations specifically address themselves toward assurance of fiscal responsibility and the solution of these problems. These regulations mark the first administrative effort to try to find solutions to the problems. Why can't we work together to solve them? Why penalize thousands of deserving people? What is the justification for this denial of Federal support? Why not give the new regulations a chance?

CONCLUSION

To summarize, we believe that H.R. 3471, as it pertains to correspondence education, is unfair, unjustified, and discriminatory.

The bill would deny educational opportunities to large numbers of present and future students, and it represents a step backward in American education.

The bill ignores the many advantages of the home study method, and denies working citizens of their right to share in the advantages of continuing education.

The bill fails to consider that home study is by far the most economical method of postsecondary education, and thus would place further benefits on the very people who do pay taxes yet are denied a chance to share the benefits of their tax dollar.

We urge the subcommittee to reconsider and continue the elibility of correspondence school students in the scheme of Federal support of postsecondary education. We urge that part F section 496(b), page 112, lines 5 through 11 be omitted from the bill.

NHSC pledges its continued cooperation with all Federal and State agencies in helping to identify problems in the home study field and in helping to develop feasible solutions for these problems which will enable home study schools to offer quality education to the millions of students who are served by them.

Mr. Chairman, I do have a packet of information on the National Study Council and its accreditation commission which I would like to leave with the Committee.

[Materials submitted appear below:]

STANDARDS FOR CORRESPONDENCE SCHOOLS WITH STUDENTS ENROLLED UNDER THE GUARANTEED STUDENT LOAN PROGRAM

Schools accredited by the Accrediting Commission of the N.H.S.C. may participate under the Guaranteed Student Loan Program:

a. In accordance with the provisions set forth in Title IV, Part B of the Higher Education Act of 1965 as amended and the regulations promulgated thereunder by the United States Office of Education of the Department of Health, Education, and Welfare; and

b. Subject to the Standards of the Accrediting Commission of the N.H.S.C. and these special Standards. These Standards apply to schools enrolling students under the Guaranteed Loan Program whether the loan has been made by a third party lender or by the school acting as an eligible lender.

1. A person who applies for a Guaranteed Student Loan at the time of application for enrollment is a Guaranteed Student Loan applicant. The school has the right to begin servicing the Guaranteed Student Loan applicant in accordance with its usual practice.

2. A Guaranteed Student Loan applicant must meet the same acceptance requirements as any other applicant.

3. A Guaranteed Student Loan applicant becomes a Guaranteed Student Loan student upon receiving notification from the lender that his loan has been approved by the Department of Health, Education, and Welfare.

4. A Guaranteed Student Loan applicant, upon notification of the disapproval of his application for such a loan, shall receive an automatic cancellation of his contract from the school with no financial obligation on the part of the applicant and an immediate refund of any monies paid to the school under this enrollment contract.

5. The amount of the loan to a student enrolled in a course that does not include required terminal resident training shall not exceed the cash price for the course less the down payment. The cost of loan insurance and state and local taxes may not be included as a part of the loan.

6. A loan to a student enrolled in a course with required resident training will be made in accordance with Standard 6, but the amount may also include reasonable expenses for the required resident training. In such event loans must be made in two separate increments with the disbursement of the amount for such resident training expenses being made only at the time the student reports to the school to begin the resident portion of the course.

7. The school must establish a required minimum down payment for each course. The school may service the Guaranteed Student Loan applicant and may process a loan application only after receipt from the student of at least the sum of money required as the minimum down payment.

8. The school must require that the applicant, at time of application, acknowledge to the school *in writing* that he understands he has applied for a Guaranteed Student Loan and, if the loan is made, he is obligated to repay the loan.

9. At the time of enrollment, the school must obtain the following authorization certificate from the student applying for a Guaranteed Student Loan.

Authorization Certificate for Guaranteed Student Loan Program

_______________ 19___

I hereby authorize and direct the _______________ to pay the proceeds of my loan evidence by a note dated ___________ for $_______ to _______________ in full payment for my tuition and charges for my course. Any refund which may be due me shall be sent by the school to the lender and applied against the then outstanding principal balance.

(Signature) ______________________

10. Where an eligible school acting as a lender or arranging a Guaranteed Loan on behalf of the student receives the proceeds of the loan directly from the lender, any refund due the student must be paid by the school in accordance with N.H.S.C. Standards directly to the lender to be applied against the outstanding loan balance.

11. An eligible school may make loans only to students enrolled in its own home study courses.

12. No claim shall be made to the Federal Government under the guarantee provision for an amount of unpaid principal balance that exceeds the amount of the loan as this amount is finally determined under the terms of the school's Cancellation and Settlement Policy, less that school's established percentage of uncollectabe value for non-loan student contracts.

13. Schools participating in the Guaranteed Student Loan Program will refer to such participation in any common media advertising only in the following manner: "Eligible Institution Under the Guaranteed Student Loan Program."

14. In administering this program, a school must use the forms required by the U.S.O.E. and the Accrediting Commission and make periodic reports on procedures, loans, repayment and claims as required by the Commission.

FACTS ABOUT THE NATIONAL HOME STUDY COUNCIL

What it is
And the educational institutions it represents.

The National Home Study Council is the association of more than 150 leading accredited home study schools, which serve more than 1.5-million correspondence students in all 50 states and many foreign countries. Its member schools offer some 500 different academic, vocational and avocational courses by mail, using texts, study guides and workbooks, as well as recordings, slides, sample material and kits.

From its Washington headquarters, the NHSC serves as both a clearing house of information about the home study field, and as the accrediting agency for private correspondence schools. For 48 years, since its establishment in 1926, it has been the standard-setting agency for the home study field: promoting sound education and good business practices. All NHSC member schools must be accredited.

The independent nine-member Accrediting Commission of the National Home Study Council (five public members, and four from within the home study field) was established in 1955 and shortly thereafter gained the approval of the U.S. Office of Education as the "nationally recognized accrediting agency" in its field. The Commission sets ethical, academic and administrative standards for all accredited schools—and enforces them.

Schools and their courses are subject to continuing examination and evaluation by the Commission, involving on-site inspections by qualified home study educators and thorough course reviews by independent subject-matter specialists.

Accreditation means that a school has: Competent faculty, educationally sound and up-to-date courses, careful admission screening of students, satisfactory educational services, amply demonstrated student success and satisfaction, truthful advertising, and financial ability to deliver high-quality education.

The number of NHSC—accredited schools has doubled in the past ten years; the number of students enrolled has similarly doubled.

STATED ADVANTAGES OF HOME STUDY

Access: as close as the nearest mailbox. The school comes to the student.

Pace: all students do not learn at the same rate, and individuals do not learn all subjects with equal ease.

Flexibility: study time can be fitted around job hours or other activities.

Practicality: emphasis is on learning what's most needed.

Economy: student pays only for wanted courses, which are generally less expensive than resident study.

Availability: student has broad field of subjects to choose, regardless of residence locale.

Individuality: each student is in a class of one and has his instructor's complete attention.

Instructional Effectiveness: student is graded every step of the way, gets feedback on progress, can back at any point to assure understanding.

THE HOME STUDY STUDENT PROFILE

The typical student is married, has a family, and finds it difficult to leave his job to attend a resident school. Craftsmen and foremen make more extensive use of correspondence courses than any other civilian group, according to a Carnegie Corp. study of recent years.

Professional and technical workers are the next major category of users, followed by students working toward a high school or college diploma, and then to a lesser extent, managers, officials and clerical personnel. More than 10,000 business and industrial companies rely on home study courses for on-the-job training of their personnel. Students in more than a thousand high schools regularly pursue home study courses on a supervised basis. Nearly half the adults taking correspondence courses live in smaller communities of less than 50,000 population.

Motivation to take courses varies—from preparing for a different or better job to seeking an added dimension in life-style. School dropouts complete high school studies through the mails. Electronic engineers keep up on advancing technology. Military men and others about to retire prepare for civilian or second-careers. Housewives take courses to prepare themselves for a job outside the home or to pursue avocational interests. Employees ready themselves for managerial positions.

A LONG HISTORY

Perhaps the first offer of a home study course in the U.S. appeared in the Boston Gazette of March 25, 1728 when one Caleb Philipps offered to teach a "New Method of Short Hand": "Any Persons in the Country Desirous to Learn this Art may by having the several lessons sent Weekly to them be as perfectly instructed as those that live in Boston."

Formal correspondence schools were a product of the 19th century industrial revolution, organized to supply technical knowledge for the coming machine age. They appeared in England before 1850, then in Germany and France, and finanlly reached the United States after the Civil War.

Today several hundred schools—civilian and military—have more than five million Americans enrolled in correspondence courses—about two-thirds as many students as attend all U.S. colleges and universities combined.

THE EXPANDING NEED FOR HOME STUDY

Rapid technological changes are opening up new job opportunities and require training. Changing job patterns and markets require continuing education and a continual upgrading of skills. Increased leisure time encourages new avocations which can be self-taught. The average worker may soon expect—or be expected—to hold five to nine different jobs during a working career.

Further, the official census figures of the past decade show that in the 12 million new jobs added to the work force, women filled two-thirds of them, and the trend to equal employment for women opens up new job opportunities and new training needs. The contemporary woman, getting ready to enter or re-enter the job world, can brush up on old skills or learn new ones through home study courses.

The Postman Is The Proctor For Millions Of Correspondence Students

(By Benjamin H. Pearse)

After a long probationary period in a second-class status, the correspondence school has come to be a popular, full-fledged member of the adult education family. This is borne out in a recent study supported by the Carnegie Corporation, which estimates that there are 400 to 600 correspondence schools operating throughout the country, enrolling between 3.5 and 5 million home students. Schools range in size from the shoestring operator with a P.O. box number for an office to one with a gross annual income of more than $25 million. Curriculums run the academic gamut from the three R's to graduate science courses, from fingerprinting to philosophy.

Statistics are uncertain as to the number of correspondence schools, as the Carnegie study indicates, and even more uncertain as to the number of students. Many schools count annual enrollments rather than the number of individuals taking courses—and one industrious student may enroll in two or three courses in the same year.

Nevertheless, hazy or not, enrollment figures are impressive. The largest single operator of correspondence schools, the Federal Government, has nearly 2 million students participating: the four branches of the armed forces provide military and technical courses for more than a million officers and enlisted personnel. and the U.S. Armed Forces Institute conducts academic courses from grade school to university level for another 850,000 service men and women. The Departments of State and Agriculture and several other Federal agencies operate sizeable programs.

The 91 private correspondence schools comprising the National Home Study Council account for a total enrollment of a million; college and university extension courses enroll about 175,000; and thousands more are taking courses conducted by business and industrial firms for their employees. As these totals show, a goodly proportion of America's adult population choose to study at their own pace at home.

What is behind this degree of interest in the learn-by-mail method? A glance at the enrollment blanks shows that the great majority of applicants are adults, or at least above the age of compulsory school attendance. The typical student is married, has a family, and cannot leave his job to go back to school. Many students are trying to get the credits they need for a high school or college diploma that once seemed unessential. Still others are preparing for a better job. Correspondence is the only practical way for them to continue their education. They can study just about any subject man pursues for livelihood. hobby, or knowledge: locksmithing, gemology, landscaping, Braille, flower arrangement, law, art, photography. They can learn how to repair anything from a transistor radio to a bulldozer. They can study whenever their time permits and wherever it is convenient: bed, bathtub, or at the kitchen table. Their learning is strictly a matter between themselves and their instructor.

But along with the advantages of home study, there are certain disadvantages. Students have no chance to participate in classroom discussion—a helpful and informative part of typical academic study, frequently more so than lectures or individual study. Lack of personal contact with the instructor and other normal class stimuli imposes on the student a need for strong motivation and self-discipline.

Such disadvantages are surmountable, as the list of illustrious alumni shows. The roster of persons who have taken correspondence courses includes notable names in many fields. One of these, now a professor at a large Eastern university, got most of his high school and college education by correspondence. When he enlisted in the Army in 1940, he had a tenth grade education. He enrolled for secondary school work through "Usafi," the GI term for the United States Armed Forces Institute. Despite numerous changes of station to various parts of the globe, he pursued his courses so diligently that when he was discharged in 1951 he had credits to enter college as a junior. He got his bachelor's degree before his GI benefits ran out, went on to acquire master's and doctor's degree, and is now teaching political science. He is certain that he could never have made it without USAFI.

Correspondence school instruction follows the learn-by-doing method that frequently includes materials and equipment at least equivalent to those found in classrooms and laboratories.

Innovation is becoming a part of the vocabulary among correspondence school administrators. Records, tapes, slides, and even films are part of many courses. One school specializing in English courses in Latin America uses tapes to supplement the written text and to record the students' answers. The International Correspondence School is experimenting with a system called "Educasting," developed by the TuTorTape Laboratories in New York City. An instructor tapes each lesson, following up with multiple-choice questions. The tapes are broadcast over FM stations in Scranton and Philadelphia, and students within a range of 20 miles listen on a special FM radio which is loaned for the course.

Other innovations are designed to bridge the distance between the school and the student with a personal approach: booklets introducing the faculty members to the student, hand-written corrections on papers and immediate response to queries are some typical examples.

With imaginative methods such as these and close attention to the changing needs of the job market, progressive correspondence schools have prospered. More than 7,000 business and industrial companies rely on correspondence courses for training their personnel, some by contract with established schools and others through various professional organizations. The International City Managers Association conducts a correspondence school for training municipal employees. The International Accountants Society operates a coaching school by correspondence for members ambitious to become certified public accountants.

Many professional and engineering organizations encourage correspondence study among their members. William G. Torpey, a manpower specialist in the Executive Office of the President, believes that correspondence study is one of the best ways that scientists, especially engineers, can keep abreast of new developments in their particular field.

Says Dr. Torpey: "Some educators, employers, and members of technical and professional societies are not fully aware of the part played by the correspondence courses in the complete education, training, and retraining spectrum. Nor are they aware of the full potential of this type of education in the development of scientific and technical manpower.

"Correspondence education, as supplementary to more widely recognized types of education, has a contribution to make to the broad efforts at improving and maintaining the quality of scientific and technical manpower."

Along with the importance and improved status of the correspondence schools, however, has come an increase in the number of fraudulent operations. A few months ago the Post Office Department announced that prosecutions of correspondence schools for mail fraud have increased fourfold in the past three years.

Capitalizing on the nationwide stress on education and the good reputation of long-established institutions, con men have set up quickie learn-by-mail "schools" in States that have no regulations in this field or only minimal license requirements.

Chief Postal Inspector Henry B. Montague said the Department is currently investigating 102 schools, compared with only 26 schools under investigation three years ago. In the past 5 years, only 37 persons have been convicted of running fake correspondence schools, but 26 persons are currently under indictment.

The problem confronting those who want to take correspondence courses is how to avoid the fly-by-night school that takes the student's money and sends him wastepaper in return. The solution, unfortunately, is not as easy as it should be. The Carnegie Corporation undertook its first survey of correspondence schools back in 1924, when enrollment was about 1,250,000. While the surveyors were surprised by the rapid growth of such schools, they were also shocked by the wide variation in the quality of educational services and the ethical standards they found. Their report was enough to institute a campaign by the National Better Business Bureau against the unethical practitioners who had invaded the field.

The campaign ran into difficulties almost at the start, difficulties that have not yet been completely overcome. Regulation of schools is a matter within State jurisdiction, and few States paid much attention to proprietary schools of this type. When a State did enact regulatory legislation, the crooked operator simply moved to another State where he would not be bothered. At least 1,000 unethical correspondence schools were in existence in 1959, according to a report on "degree mills" by the American Council on Education. This estimate, which the Council termed "quite modest," indicated that one in every ten correspondence schools was an out-and-out diploma mill granting unearned degrees.

The recent Post Office Department action was only the latest warning, and apparently, swindling techniques have not changed much. The case of the Citizens Training Service, convicted of mail fraud in Federal District Court last July, is a typical example:

"The CTS, which specialized in 'training courses' for the U.S. Civil Service, took in nearly $1 million 'training' some 10,000 students during the six or seven years it was in operation," postal inspectors estimated. When the proprietor was denied a license to operate in North Carolina, where a school must have the approval of the State Board of Education, he moved across the State line to Danville, Va. No regulations hamper the correspondence school promoter there. All the proprietor needed to emblazon 'Licensed in Virginia' on his letterhead was a retail merchant's permit from the City of Danville.

CTS advertised in the classified columns that men and women between 18 and 50 were wanted for Civil Service jobs. Inquiries were answered by high pressure salesmen who offered courses priced from $135 to $295. All enrollees got the same course including a man who wanted to study law enforcement, another who wanted to be a Government meat inspector, and a third who hoped to become a park ranger. The "course" consisted of a series of lessons and tests in loose-leaf form that can be bought as a book for less than $5 and covers basic grammar, spelling, and arithmetic—without mentioning law enforcement, meat inspection, or the work of a park ranger. The proprietor of CTS changed his plea to guilty just as the Government prosecutor was preparing to place on the witness stand a 71-year-old woman who had been sold a Civil Service course although she was already one year past compulsory Civil Service retirement age. He and six salesmen were fined and given suspended jail sentences and periods of probation ranging up to ten years.

The Post Office recognizes the contributions that legitimate institutions are making to education. Nevertheless, revelations of so-called "diploma mills" have tended to cloud the reputation of correspondence courses, at least in the public mind. To place these opposing aspects of a somewhat controversial and often misunderstood subject in perspective, some background may be helpful.

Correspondence schools were a by-product of the 19th century industrial revolution, created to supply technical knowledge for the machine age. They appeared in England before midcentury, then in Germany and France, finally reaching the United States after the Civil War.

The movement got a big boost in 1891 with the founding of the industry's giant—the International Correspondence School. The University of Chicago and the University of Wisconsin started extension departments not long afterwards. The American School, a private, nonprofit institution which specializes in high school courses, was established in 1897. Several other proprietary schools were opened after the turn of the century; many of them are still in operation.

Following the revelations of the 1924 Carnegie survey, a group of the larger and older schools formed the National Home Study Council as a voluntary cooperative effort to establish high standards and ethical business practices. The Council cooperated with the Federal Trade Commission in developing the original trade practice rules governing advertising and promotion of correspondence courses in interstate commerce.

In 1955, the Council established an accrediting commission empowered to set ethical, academic, and administrative standards for its members and to enforce them. Four years later, the U.S. Office of Education approved the Council's accrediting commission as a "nationally recognized accrediting agency." Four of the representatives on the commission are "public" members, most of them educators, but all from outside the home study field. The other five are selected from the membership of the Council. A list of schools accredited by the commission and the courses they offer is available from the National Home Study Council, 1601 Eighteenth Street, N.W., Washington, D.C. 20009.

To find out whether a particular school is reputable, the prospective student can check with the NHSC's list or query the Better Business Bureau or Chamber of Commerce to learn whether any complaints have been received against the school.

Another way to find a reliable correspondence school is to select an accredited institution of higher education. Correspondence courses offered by colleges and universities are accredited by the regional associations throughout the country. A list of these schools and the courses they offer can be obtained from the National University Extension Association, 122 Social Science Building, University of Minnesota, Minneapolis, Minn. 55455 (50¢).

In the field of higher education, the Office of Education has warned that in the United States no reputable college or university confers degrees on the basis of correspondence study alone. Many colleges and universities accredited to award degrees give credit, usually after an examination, for completed correspandence courses, but they require varying periods of resident instruction.

Home study is an important segment of adult education, which now includes an estimated 25 million persons, nearly half as many as are enrolled in all our elementary and high schools and colleges and universities.

Contemplating the future of home study with its thrust on the correspondence school, Herold C. Hunt, Charles William Eliot Professor at the Harvard Graduate School of Education, predicts:

"By the year 2000, and probably years before that, the idea of 'completing' one's education with a diploma from high school or college will have disappeared altogether. Learning will be recognized as a Lifelong process with formal classroom instruction the introductory phase and home study providing the continuing contact that our ever-changing modern world requires."

NATIONAL HOME STUDY COUNCIL

BUSINESS STANDARDS

These Business Standards are a part of the Accrediting Commission's standards for accredited schools and the policies, procedures, practices and activities of an accredited school must be in compliance with these Standards. Schools must also conform to the provisions of applicable laws and regulations which take precedence if there is a variance with these Standards.

SECTION I.—SCHOOL AND COURSE PROMOTION

A. Advertising and Promotional Literature

1. Each advertisement or piece of promotional literature written or used by a school must be completely truthful and must not give any false, misleading or exaggerated impression with respect to the school, its personnel, its courses and services, or the occupational opportunities for its graduates.

2. All advertising and promotional literature used by a school must clearly indicate that training or education, and not employment, is being offered.

3. All advertising and promotional literature must include the full and correct name and location of the school and disclose the fact that home study training is given. In addition, the local address of a field representative may be used. So-called "blind" advertisements are misleading and cannot be used.

4. The school's address must appear in the school's catalogs, enrollment contracts and official NHSC listings. For this purpose, a Post Office Box number will not be considered an address.

5. Letters of endorsement, commendation or recommendation may be used in school catalogs, advertisements and promotional literature provided prior consent is obtained and no remuneration is made for either the consent or use of the endorsement. Such letters shall be kept on file and available for inspection. Testimonial letters may be used only when they portray currently correct conditions or facts.

6. In obtaining students a school will not use advertisements or promotional material which are classified, designated, or captioned, "men wanted to train for . . . . .," "help wanted," "employment," "business opportunities," or words or terms of similar import which represent directly or by implication that employment is being offered.

7 Schools using classified columns of newspapers or other publications to acquire students must use only those headed "education," "schools" or "instruction."

8. "Help wanted," "employment," or " business opportunities" classifications may be used only to advertise for employees or representatives for the school.

9. The use of the following words is restricted or prohibited:

a. The word "Free" shall not be used to describe any item or service regularly included as a part of the school's courses or services.

b. The word "Guarantee" shall not be used by a school for advertising or promotional purposes.

B. School and Course Recognition

1. A school shall use the fact of accreditation in its advertising, promotional literature or letterheads only in the following manner:

a. Use of the official Accredited School Seal.

b. Use of the statement, with or without the official Seal:

c. Use of the statement, with or without the official Seal:

Accredited Member National Home Study Council
or
Accredited Member NHSC

Accredited by the Accrediting Commission of the
National Home Study Council

d. Any statement referring to the Accrediting Commission itself must read:

The Accrediting Commission of the NHSC is listed
by the U.S. Office of Education as a nationally
recognized accrediting agency

This statement may not be used in common media advertising.

2. Schools whose students are eligible for veterans benefits under the G.I. Bill will not refer to such eligibility in any advertisement, promotional literature or letterhead as "VA Approved," "GI Approved," or by similar words or terms which represent directly or by implication that the school or its courses are approved by the Veterans Administration.

SECTION II.—STUDENT ENROLLMENT

A. Enrollment Agreements

1. The enrollment agreement form used by a school must clearly outline the obligations of both the school and the student.

2. A copy of the enrollment agreement must be furnished the student either by the school's representative or by the school itself in the case of enrollments not obtained by representatives.

3. When enrollments are obtained by field representatives a receipt for money collected shall be left with the applicant unless the payment is shown on the copy of the enrollment agreement left with the applicant.

4. The terms of the school's cancellation and settlement policy must be clearly disclosed in the enrollment agreement.

B. Admission Policies

1. It shall be the responsibility of the school to establish the qualifications which an enrollee must have to enable him to successfully assimilate the training materials to be furnished him and to determine with reasonable certainty, prior to the acceptance of his enrollment, that the applicant is informed of, and has the proper qualifications to take the training for which he is applying.

2. It shall be the responsibility of the school:

a. To disclose to the applicant the nature of the course and the extent to which such course, if successfully completed, would qualify him for such occupation, trade or profession.

b. To fully inform the applicant as to the nature of the obligation he is entering into and as to his rights and responsibilities under the contract he has signed.

3. It shall be the responsibility of the school to determine that an applicant has no handicaps, physical or otherwise, which could reasonably prevent his use of the knowledge or skill gained from the training he desires for successful on-the-job performance after completion of his course.

4. No accredited school shall accept an enrollment from a person of compulsory school age, nor one attending a school of elementary or high school level, until and unless it shall have estabished through contact with properly responsible parties that pursuit of the course would not be detrimental to his regular school work.

5. When a school enrolls a person who does not meet the qualifications for acceptance, a record should be made showing the reasons why he was permitted to enroll.

C. Field Representatives

1. No field representative shall be permitted to use any title that indicates that he has special qualifications for guidance, counseling, or registration, which he does not in fact possess.

2. A school has full responsibility for the actions, statements and conduct of its field representatives.

3. The school must make certain that each of its field representatives is fully informed about the school's courses and services, prices and terms, and operating policies.

4. It shall be the responsibility of a school to see that each field representative working in a state is properly licensed or registered as required by the laws of that state.

5. If a school's field representatives are authorized to prepare or place advertising or to use promotional materials, the school has full responsibility for the materials used and must approve any such in advance of their use.

SECTION III.—TUITION POLICIES

A. Course Price

1. The total price for any specific course offered by a school shall be the same for all persons at any given time, whether sold by mail or by personal solicitation, except for proper discounts to members of religious and government organizations, or to private organizations for quantity or group enrollments, and for bona fide special payment plans available to all students at the same time.

2. Terms of payment may be varied by the school from time to time and from person to person, so long as the net price charged for the course at any given time and under any given payment plan remains the same for all persons.

3. Special price or discount offers must be bona fide and must state the specific data of termination.

4. Announcements of price increases must state the effective data of the price increase, and the price increase must be applicable to all enrollees thereafter.

5. Scholarships or partial scholarships must be bona fide and for recognized and acceptable purposes.

B. Cancellation, Settlement, and Collection

1. Each school must have a definite and established policy for the settlement of cases where students request discontinuance of training. The following applies as a minimum policy:

a. An applicant student may cancel his enrollment within seventy-two hours after midnight of the day on which the enrollment agreement is signed. An applicant student requesting cancellation in whatever manner within this time shall be given a refund of all money paid to the school or its representatives.

b. From seventy-two hours after midnight of the day on which the enrollment agreement is signed and until the time the school receives the first lesson from the student, upon cancellation, the school is entitled to a registration fee of not more than 10% of the tuition or $50.00, whichever is less.

c. During the first six months following the date of the student's enrollment, if no lesson or written request for continuation is received by the school for a period of 90 days, the school must advise the student that cancellation will be made under the terms outlined below.

d. After receipt of the first lesson, if the student requests cancellation or if cancellation is made by the school under the provisions of c above, the school shall be entitled to a tuition charge which shall not exceed the following:

(1) During the first quarter of the course, the registration fee plus 25% of the tuition.

(2) During the second quarter of the course, the registration fee plus 50% of the tuition.

(3) If the student completes more than half of the course, the full tuition.

The amount of the course completed shall be the lessons received for service by the school as compared to the total lessons in the course.

e. Upon cancellation, all money due the student shall be refunded within 30 days.

2. In the case of student illness or accident, death in the family, or other circumstances beyond the control of the student, the student shall be entitled to consideration and the school shall make a settlement which is reasonable and fair.

3. Correspondence regarding cancellation and settlement between the student and the school, banks, collection agencies, lawyers or any other third persons representing the school, must clearly acknowledge the existence of the cancellation and settlement policy of the school.

4. If promissory notes or contracts for tuition are sold or discounted to third parties, the school must still comply with the minimum cancellation and settlement policy outlined in this Section.

5. Collection procedures used by the school must reflect good taste and ethical business practices.

[Reprinted from Manpower Magazine]

TRAINING BY MAIL

(By Patricia Marshall)

Last year more than 5 million Americans were enrolled in correspondence courses—about two-thirds as many students as attended all U.S. colleges and universities. By age, occupation, and course of study, correspondence students are a varied lot. But most of them have one thing in common: Their studies have a vocational purpose; they learn to earn. Most of those taking mail courses hope to move up military or civilian job ladders, enter a different occupation, learn a work skill, or update their training to keep pace with technological change.

Neither snow, nor rain, nor heat, nor gloom of night stays the postal delivery of correspondence school lessons. Some 15,000 courses, many of them duplicating each other, are on the market. Through the mails, people study accounting, aeronautical engineering, algebra, architectural design, auto body repair, basic English, carpentry, computer programing, criminal identification, fiction writing, insurance law, millwrighting, municipal administration, nuclear instrumentation, plastering, salesmanship, surveying, typewriter repair, tool and die making, traffic management, welding, waterworks and sewage plant operation, and other vocational, avocational, and academic subjects.

The largest purveyor of correspondence education is the Federal Government, led by the Armed Forces. More than a million servicemen and women take career-oriented courses and, through the U.S. Armed Forces Institute, another 850,000 study academic subjects that range from elementary through college levels. All told, military personnel make up over 60 percent of the people who study by mail.

Next in numbers of students are private schools selling home studies to the general public. With a few exceptions they are in business to make a profit. The National Home Study Council, an organization with a membership of 122 such firms, reports that 800 private schools it surveyed had a student body last year of more than 1.6 million people. Statistics on the private sector are incomplete. There are many small schools not reached by surveys, and there seem to be quite a number of schools that are difficult to locate because they resort to frequent changes of their names and bases of operation to avoid regulatory authorities.

Colleges and universities also market correspondence studies, and labor unions, trade associations, religious groups, and nonmilitary branches of the Federal Government develop such studies to serve their own needs.

Correspondence schools started up in the U.S. toward the end of the 19th century. One of the earliest, now a multimillion dollar enterprise, grew out of efforts of jobseekers to meet a requirement of Pennsylvania mine safety legislation that all mine inspectors and superintendents pass a qualifying State examination. A small town newspaper editor, who first agitated for mine safety measures and then promoted them, printed booklets to ready applicants for the test. Booklet lessons were followed by questions to gauge the readers' grasp of their subject matter, and answers were sent to the newspaper, where they were corrected and graded.

EMPHASIS ON JOB TRAINING

Success in this venture led to a correspondence course in coal mining with sections on mining legislation, coal geology, mining methods, mine surveying and mapping, and—to shore up an important but often week area—arithmetic. The entire course sold for $25, and students had up to 3 years to complete it. Soon added to the curriculum were courses for people who worked above ground: Steam engineering, electricity, architecture, plumbing, sheet metal pattern drafting, civil engineering, heating, bookkeeping, stenography, and English. Such studies made it possible for ordinary people, many of them immigrants, to work for a living at the same time that they equipped themselves to earn a better one.

Correspondence schools have maintained the heavy emphasis on job preparation that attended their birth. Most Armed Forces instruction of this kind is closely related to military requirements. All but a few member schools of the National Home Study Council teach subjects with a strong blue collar coloration or are in clerical, sales, applied science, or service fields rather than in purely academic ones. The practicality of subject matter is pointed up by school advertising and brochures with such messages as: "Train for a Job with a Future!" and "Opportunities Unlimited for Qualified Personnel," and "The Future Belongs to the Man Who Prepares for It."

Industries most often use correspondence studies for apprenticeship training. Currently in effect are more than 10,000 company agreements with private home study schools.

Republic Steel Corp. has used mail studies for apprentices since 1947, according to H. J. Kirkstadt, supervisor of employment and recruiting. These studies are now used in a number of company plants for training machinists, tool and die makers, electricians, roll turners, and mechanical and electrical draftsmen.

To pay for the course, an apprentice has $10 a month deducted from his pay for 4 years. The company provides a supervised classroom to give apprentices a quiet place to study on company time, and at the end of their apprenticeship, if they are still at Republic, they receive a bonus which more than covers the cost of lessons.

At present, 226 apprentices are in the program. Of some 340 graduates who still work for the company, 20 percent are now in supervisory positions.

"These studies are well adapted to our needs," Kirkstadt said. "One apprentice at a time may begin training. He does not have to wait for a group to form, nor does he have to work on the same shift with other apprentices. What's more, he is able to progress at his own speed through the course."

The company is spared the need to hire teachers and correct and grade test papers, responsibilities of the correspondence school. A disadvantage of the system, Kirkstadt said, is that apprentices do not have a chance to discuss their lessons in a classroom situation and must wait for the mails to bring an answer to their questions from an instructor at the school.

A number of unions run their own correspondence courses for apprentices. The International Typographical Union (ITU) began putting its imprint on this training method more than 50 years ago. Today each ITU apprentice working in a commercial job shop or on a newspaper must finish 10 volumes of correspondence studies prepared by the union's education bureau. Studies are correlated with daily shop work to help the apprentice master all fundamentals of his trade. Completed lessons are sent to the education unit for correction and grading, then returned to the student. The local labor-management committee, which keeps tab on his progress, gets a copy of the scores.

NEW TECHNIQUES TAUGHT

Seven years ago, ITU Local 101 in Washington, D.C., was instrumental in starting a special correspondence course for printers. Supplied by a private school, the course trains printers in the operation and maintenance of electronic equipment that is being used with increasing frequency to set type through photographic processes. It is open to ITU members, both journeymen and apprentices, throughout the country.

The International Printing Pressmen and Assistants' Union of North America currently has 5,500 apprentices using correspondence studies teamed with job experience. An apprentice selects one of nine correspondence subjects to tally with the type of press operation or related work that is his specialty. Lessons are free and mailed at regular intervals during the apprentice's 4-year indenture. An examination board, elected by the local union, corrects and grades unit tests.

To help keep up craft standards, the national lathing industry's joint apprenticeship program less than 2 years ago developed a course of correspondence studies. If local unions in the program have as many as 10 or 12 apprentices, they use the course's five volumes of textbooks in classroom sessions led by trained instructors. Otherwise, the same texts are used as individual correspondence courses. This assures that all apprentices cover the same ground.

Craftsmen and foremen make more extensive use of correspondence courses than any other civilian group. They make up more than a third of all students, according to "Correspondence Instruction in the United States," a recent study done under the Correspondence Education Research Project (CERP) financed by the Carnegie Corp. and published by McGraw Hill. Professional and technical workers come next with half as many students, followed by managers, officials, and clerical workers with only a few.

Nearly 20 percent of the veterans and servicemen using the GI Bill's educational benefits do so by mail, but they must get approval for each course from a State agency, generally the Department of Education, and their enrollment must have vocational objectives. They might avoid costly mistakes by talking to potential employers or the nearest State employment service office.

Many correspondence school students, it appears, may be limited in training opportunities by where they live as well as by the need to find training that fits into busy, working lives. The Carnegie report says that nearly half the adults taking correspondence courses live in areas with less than 50,000 population, and few live in large cities.

On the basis of salary, use of correspondence schools is highest among people in $4,000-$6,000 a year brackets—an indication, the report says, "that correspondence instruction has earned the reputation of being a poor man's school." But the report makes it clear that it takes a special kind of poor man to benefit from this type of instruction, for it points out that:

The worker who studies at home may have to cope with disruptive noise and activity and find it hard to study.

Mail lessons rely largely upon one means of communication—the written word—and not all people learn equally well from materias in this form.

Student motivation and persistence must be extremely high.

"Nonstarts," people who sign up for courses but fail to complete the first lesson, are common in correspondence instruction. The dropout rate, students who complete some lessons but fail to finish the course, also is high. Some private home study schools report a 70 percent dropout rate and there is a 90 percent rate in some business and industry courses. Universities lose about 27 percent of their correspondence students after one lesson. Not surprisingly, student motivation is ranked by private home study schools as their most severe problem, and university and military course directors also put it high on their lists.

But for some people—determined students signing up with quality schools for courses that meet well-defined and realistic goals—correspondence courses may offer a great deal. School dropouts complete high school studies through the mails. Electronic engineers keep up to date on solid-state device parameters, integrated circuits, pulse techniques, and other techniques of their trade. Military men about to retire prepare for civilian occupations, and housewives complete interrupted college studies or take courses to prepare themselves for a job outside the home. Bank employees study accounting, commercial law, trust department services, and savings and time deposit banking to prepare for management positions. Many people have studied by mail, learned what they set out to learn, and gained tangible benefits.

Satisfied students cite as advantages of correspondence instruction its access ("as close as the nearest mailbox"); pace ("all students do not learn at the same rate, and individuals do not learn all subjects with equal ease"); flexibility ("students can control study time to fit around hours of other activities"); selectivity ("the student studies and pays only for what he wants and not for subjects that might be required by a college or other educational institution"); and individuality ("each student is in a class of one and has his instructor's complete attention").

In courses where equipment is essential for learning, home study schools supply kits so that students can carry out exercises and tests on a kitchen table instead of in a shop or lab. Obviously, these kits must be fairly simple and inexpensive and do not provide the kind of laboratory experience that takes place in high schools and colleges.

Study by mail has some booby traps for the unwary. The Carnegie report warns: "The correspondence instruction market is wide open to fraudulent operators. Anyone or any group can become a correspondence instruction supplier." It notes that the need for regulation lies primarily within the broad range of private home study schools: "When profit is the main objective, the risk of fraudulent operation is high.

Regulation of correspondence schools comes under State jurisdiction, but a number of States have not set standards for these schools or have minimal license requirements, with the result that they may attract dishonest enterprises. Among these are socalled "diploma mills" which award worthless certificates. Some schools pass out doctor of philosophy, doctor of psychology, and other degrees after a course lasting only a few months.

Some schools make misleading statements about course content and employment opportunities. They may suggest that graduates will earn from $12,000-$13,000, without explaining that years of experience are necessary to get this salary in the occupation covered by the course. Schools sometimes mask the fact that they sell correspondence courses by running advertisements in "Help Wanted" columns which suggest an offer of employment; salesmen using a hard-sell approach work on people answering ads. Or schools may simply sell enrollments and offer no essons of any kind.

Federal agencies have some weapons to use against such schools. The Post Office Department invetigates complaints of alleged mail fraud and turns findings over to U.S. attorneys. The Federal Trade Commission has authority to halt unfair methods of competition and unfair or deceptive acts or practices in commerce. Often this involves time-consuming procedures, and in the interim a lot of people can be badly hurt.

The FTC constantly receives complaints from students who have been misled by sales pitches, and warns prospective students and their counselors to be especially on the alert for verbal misrepresentations by correspondence course salesmen. An FTC attorney also advises full understanding of any contract provisions for cancellation and refunds of fees and tuition because contracts are commonly sold to a third party. This action leaves students without legal defense against the third party even when they are disappointed in the course and want to drop out of it or when the school fails to hold up its end of the contract.

ACCREDITING STANDARDS SET

William J. Cotter, Chief Postal Inspector, says that the Post Office Department has investigated 385 correspondence schools in the past 6 years, and 120 criminal indictments for mail fraud were returned by Federal grand juries. Sixty-one individuals were tried and convicted in this period. Cotter says that in closed cases where fraud was proved and people were convicted, or in borderline cases where schools discontinued operations without convictions, students and parents had spent roughly $22 million for instruction. Much of this money came out of the pockets of people least able to part with it—and willing to make great financial sacrifices to qualify for better jobs. Sometimes whole families were talked into signing up for worthless courses.

Fraudulent practitioners also hurt legitimate, profitmaking schools that try to offer honest value in the courses they sell. To build public trust and recognition and to promote sound standards and ethical practices in the home study field, several quality schools some years ago formed an association, the National Home Study Council (NHSC). To gain association entry, schools must pass inspection by NHSC's Accrediting Commission, which is listed by the U.S. Office of Education as a nationally recognized accrediting agency. Each school accredited by the commission must meet these standards:

Clearly state educational objectives.

Offer up-to-date, educationally sound instruction methods to meet these objectives.

Provide adequate examination services, encouragement, and attention to individual students.

Have a qualified faculty.

Screen students for admission.

Show satisfactory student progress and success.

Advertise truthfully.

Carefully select, train, and supervise field representatives.

Have adequate financial resources to deliver high quality educational service.

Charge reasonable tuition, use reasonable collection methods, and have a satisfactory refund policy.

Demonstrate a satisfactory period of operation.

Schools must maintain standards once they get into NHSC. Last year the Accrediting Commission dropped eight member schools, including some big names, for failure to meet requirements. A directory of accredited member schools is available from the National Home Study Council, 1601 18th St., NW., Washington, D.C. 20009.

Not all quality private schools are accredited, however. Some reputable schools choose to operate outside NHSC; some market religious studies, which the Council's Accrediting Commission does not care to judge; some are too new to meet the requirements for 2 years of satisfactory operation before accreditation is considered.

Colleges and universities offering studies by mail are regionally accredited and are members of the National University Extension Association, National Center for Higher Education, One Dupont Circle, NW., Washington, D.C. 20036, which publishes a 50-cent list of available courses.

Accreditation gives public recognition to schools that meet certain standards, but it does not assure students that they will get courses which mesh with their career requirements and the realities of the labor market where they live.

The student aiming for a soil conservation or computer programing career may find, after finishing a home study course, that local employers do not accept such studies although employers in distant cities will. Students may prepare on their own for jobs where opportunities are going down rather than up. Unless they take training sanctioned by unions, industries, or trade associations, students may need guidance in deciding whether courses fit their needs.

BOOST IN QUALITY URGED

Nearly any subject can be taught in part by correspondence, and many subjects lend themselves to teaching entirely by this method, according to the CERP study. But the CERP report warned that suppliers of home studies must correct some serious deficiencies in their product if they would continue to have an important role in U.S. education.

Text materials and quality of instruction of many schools must be improved, the report said. The researchers recommended that home study texts be prepared and marketed commercially like those used in public schools and colleges. Competent instructors should be especially trained to teach correspondence studies.

The report aso recommended that a national examining university be organized to set standards for correspondence courses, provide accreditation, and test and validate student educational experience—however gained—in units acceptable to the academic world. This would meet practical needs of students outside the formal education system and enable them to get validation for purposes of employment, promotion, certification, license, or entrance to college.

The CERP study found that with high quality in home study courses, and the special advantages that such studies hold for many people, correspondence instruction can play a useful part in meeting modern day needs for lifetime education, training, and retraining.

ACCREDITING COMMISSION
NATIONAL HOME STUDY COUNCIL

DOCUMENTS & INSTRUCTIONS OF THE ACCREDITING COMMISSION

NATIONAL HOME STUDY COUNCIL
1601 18TH ST. NW WASHINGTON, D.C. 20009

LIST OF CONTENTS

Document Number	
	Preface
1.1	Accreditation -- Objectives and Procedures An overall picture of the accreditation process
2.1	Application for Accreditation Letter announcing the intention to seek accreditation
3.1	Standards for Accrediting Home Study Schools Characteristics of accreditable home study schools
3.1.1	Rating Form for Examiners and Subject Specialist Reviewers Form for rating the standards stated in Document 3.1
4.1	Guide to Self-Evaluation An outline of questions to be answered by the school before being visited by the Examining Committee
4.1.1	Instructions for Studies of Student Progress A supplement to Document 4.1 explaining how student progress data may be obtained
5.1	Request for Examining Committee Visit Letter announcing completion of the Self-Evaluation and asking for an Examining Committee visit
6.1	Responsibilities of Members of Examining Committees Directions to the Examining Committee and instructions for preparing the Report
7.1	How the Accrediting Commission Receives, Considers, and Acts Upon Applications How the Accrediting Commission works
8.1	Accreditation Fees The schedule of payments due
9.1	Annual Report Report by member schools

FOREWORD

The accreditation movement grew out of the need for impartial knowledge regarding the quality of individual educational institutions.

Well over a half century ago both educators and the public began to realize that great individual differences existed among educational institutions of the same general class. An institution's own opinion of the merit of its work is insufficient. Consequently, in nearly every educational field, accrediting agencies have developed which utilize the judgment of peers in assessing educational quality.

According to Good's Dictionary of Education, an accrediting agency is:

> "an organization that sets up criteria for judging the quality of educational institutions, determines the extent to which the institutions meet these criteria, and issues some sort of public announcement concerning the institutions found to be of acceptable quality; may be either a governmental bureau, such as a state department of education, or a voluntary organization, such as a regional association of colleges and secondary schools."

Modern procedure as developed by voluntary accrediting associations usually include these five practices:

1. Members of the association agree upon desirable standards.
2. A school studies its own purposes and program thoroughly prior to accreditation.
3. A fact-finding committee visits the school.
4. A judicial body set up by the association considers all pertinent data and accredits.
5. A school is judged in light of the success with which its announced objectives are, in fact, fulfilled.

The accreditation documents on the following pages follow this general plan.

The meaning of accreditation

To the public and students, accreditation means that the education offered meets acceptable standards of quality -- standards established by the field.

To the school, accreditation means that its work is adjudged meritorious by its peers.

Qualitative standards are used in evaluation. The whole institution is evaluated -- its education program, its business relationships with its students, and its financial responsibility. Accreditation applies to the institution as a whole and does not necessarily mean that all educational programs are of equal merit. Likewise, it does not mean that all accredited institutions are of identical quality.

Accredited schools are believed to offer commendable educational programs able to fulfill their announced objectives. They do not necessarily provide training appropriate to the purposes and objectives of other institutions. Inasmuch as receiving agencies and institutions always retain the right to accept or reject any education offered in terms of their own purposes, transfer of education and training cannot be guaranteed.

Document 1.1

ACCREDITING COMMISSION
National Home Study Council

ACCREDITATION - OBJECTIVES AND PROCEDURES

The National Home Study Council is a voluntary membership organization of private home study schools. The first two objectives of the Council as enumerated in its Bylaws are:

a. to establish standards for the operation and conduct of home study schools and to serve as the accrediting agency for schools meeting these standards.

b. to promote sound educational standards and ethical business practices in the home study field.

To accomplish these purposes the Council has established an Accreditation Plan and Standards for Accrediting Home Study Schools.

a. for the specific benefit of those schools which can meet the established standards; and

b. for the general benefit of all home study schools aspiring to meet them.

To apply the standards the Board of Trustees has established an Accrediting Commission consisting of five prominent representatives from private home study schools and four outstanding educators and administrators from outside the home study field.

The interests of private home study schools and of the general public are inextricably bound together. Private schools succeed as they serve effectively the public interest and need. Accreditation benefits the public by identifying those schools which offer satisfactory services and meet acceptable standards.

Self Evaluation

Inasmuch as private home study schools are inherently interested in progress, the Accreditation Plan is designed first of all to stimulate individual schools to continuous self-evaluation and professional growth. The accreditation process is intended to cause an institution to reassess its own objectives, organization, resources, program, procedures and achievements. The process provides the opportunity and technique for a school to improve its service to society through making its self-evaluation and through obtaining the benefits of competent outside consultation.

Secondly, the accreditation process is designed to provide the basis upon which the public, employers, licensing bodies, governmental agencies, educational institutions, and other accrediting agencies can be assured that the instructional program is consistent with stated objectives.

The Accrediting Commission periodically issues a Directory of Accredited Schools, a list of private home study schools which have been evaluated and which have been found to meet and to maintain the established standards.

Document 1.1

The Accrediting Commission determines the qualifications of a school primarily upon four types of evidence.

a. the data submitted by the institution in a Self-Evaluation Report.

b. a detailed report submitted by highly qualified subject specialists on the instructional texts, guides, and accompanying examinations and materials provided the home study student.

c. the Examining Committee Report prepared after a visit to the institution by a team of competent specialized examiners.

d. a survey of the school's reputation and standing among federal and state agencies such as the Federal Trade Commission, the State Department of Education where the school is domiciled and a compilation of reports from Better Business Bureaus, Chambers of Commerce, and other professional and business organizations.

The Accrediting Commission is concerned with a home study school as a whole. It evaluates a school in terms of its stated objectives. It seeks to determine to what extent the school is fulfilling them. In light of these objectives, the Accrediting Commission considers the financial strength of an institution, its administrative practices, its promotional methods, its tuition policies, the competence of its faculty, the soundness of its instructional materials, and its entire educational and service program.

Eligibility

While the Accreditation Plan has been set up primarily for private home study programs and institutions, the Accrediting Commission will review home study schools or departments in the United States which apply for accreditation and pay the required fees.

Schools are not eligible for accreditation unless they have been in actual operation for a period of two consecutive years immediately prior to accreditation; the date of its beginning will be that of the first student enrollment.

The Accrediting Commission reserves the right to limit the scope of its review to correspondence schools or departments offering courses and programs within its capability to examine properly. This limitation refers to programs of a highly unique or unusual character.

A correspondence school is defined as one teaching the student through the exchange of printed materials and written examinations; it is an institution that employs qualified faculty members and provides student services. Self study text programs (without examination services) are not considered "schools" within this definition.

Steps in Accreditation

Schools desiring accredited status are expected to take the initiative in going through a series of steps as outlined below. Schools seeking accreditation assume the burden of proof in presenting themselves as meeting the established standards.

1. The school will obtain from the Executive Secretary of the Accrediting Commission a complete set of documents listed below and study them.

    1.1 Accreditation - Objectives and Procedures

    2.1 Application for Accreditation

    3.1 Standards for Accrediting Home Study Schools

    4.1 Guide to Self-Evaluation

    5.1 Request for Examining Committee Visit

    6.1 Responsibilities of Members of Examining Committees

    7.1 How the Accrediting Commission Receives, Considers, and Acts on Applications

2. The school will submit an Application for Accreditation (2.1) with the application fee. This fee entitles the school to additional copies of documents if needed and to sufficient consultation by mail and/or in the person of the Executive Secretary or a representative of the Commission to start its Self-Evaluation.

3. The school will proceed toward its Self-Evaluation. This Self-Evaluation may require two to four months in a small institution, and three to nine months in a large and complex one.

    Prior to starting its Self-Evaluation a school may want to arrange a preliminary conference with the Executive Secretary of the Accrediting Commission or a Commission member. Such a meeting will be scheduled if possible. The meeting may be useful (1) in developing further understanding of the accrediting process, purposes, and procedures, (2) in planning operations studies that should be made, and (3) in discussing the kinds of data that should be assembled.

    The necessary preliminary understanding may be developed by correspondence with the Executive Secretary.

4. The school studies itself. This is the heart of the accreditation process. In this study lies the greatest potential value to the institution. The Guide to Self-Evaluation (4.1) outlines the major aspects of this study but the study should not be limited to its requirements. The self study should include as wide a gathering and analysis of pertinent data on all aspects of the school and its work as is practicable. It should reveal the philosophy, organization, specific practices and procedures (documented wherever possible), the success of different operations, and the degree to which the school is accomplishing its stated objectives. Data should not be amassed routinely but in a constant search for new meanings, new methods and procedures, new hypotheses, and new ideas.

Document 1.1

The self study should involve as many of the school's home office and field staff as possible. Only as they see the purposes of the institutional review and participate in it can they be expected to grow personally and make maximum contribution to the improvement of the school. The Self-Evaluation is designed to stimulate professional growth among all staff members.

The self study culminates in an institutional Self-Evaluation Report which satisfies the Guide to Self-Evaluation (4.1).

5. The school submits ten (10) typed copies of this Report to the Accrediting Commission with a Request for Examining Committee Visit (5.1) a reasonable time before it expects a visit by an Examining Committee. This Report is confidential and will be restricted to Commission and Examining Committee members.

   Under policies developed by the Accrediting Commission, the Executive Secretary will:

   a. arrange precise dates for the Examining Committee visit.

   b. select an Examining Committee and appoint its chairman.

   c. see that the Examining Committee is appropriately instructed.

   d. give each Examining Committee member a copy of the school's Self-Evaluation Report with instructions to keep it confidential.

   e. arrange for a review of the instructional materials or such samples thereof as may be deemed necessary. Such materials will usually be submitted for review by competent subject-matter authorities in advance of the Committee visit. In certain cases, however, the materials may be examined at the school.

6. The Examining Committee visits the school, gathers additional data, and stimulates ideas for improvement wherever possible. Any recommendations or constructive comments members may make to the management or staff of the school during or after the visit are made as individuals and not as representatives of the Accrediting Commission.

7. The Examining Committee, through its chairman, makes a factual Examining Committee Report to the Accrediting Commission. This report is confidential. The Examining Committee is a fact-gathering team and does not recommend any particular action to the Accrediting Commission.

8. The Commission requests and assembles other data from students, graduates, employers, and other sources if deemed desirable or necessary.

9. The Executive Secretary compiles all reports, unedited, to include the self-evaluation, the surveys of federal, state and local agencies, the examining team report, the subject specialists' review, and any additional data bearing upon the educational and ethical standards of the school.

10. The Commission meets to consider the reports and take action. The Chairman of the Examining Committee may be present to interpret the Report and to be available for questioning. The Commission may:

    a. accredit the applicant.

    b. continue the institution on the accredited list.

    c. defer decision pending progress reports, additional evidence, a statement of the school's plan for improvement, which may require a supplemental visit.

    d. deny accreditation to the applicant. Deferments and denials will be accompanied by a statement of conditions which must be met before the school may re-apply or request a review of its case.

    e. drop an institution from the accredited list.

    f. request an institution to show cause why it should not be dropped from the accredited list.

    The judgements of the Commission are final; they are not subject to veto by the National Home Study Council or its Board of Trustees.

11. The Executive Secretary notifies the school of the Commission's action, and supplies the school with a summary of specific findings and constructive comments.

12. A dated Directory of Accredited Schools is issued with a statement of the meaning of accreditation. No information is released concerning schools which apply for accreditation nor schools which are not given accredited status.

13. Schools denied accreditation may apply again after a minimum period of one year. Schools deferred accreditation may request re-examination after corrective action has been completed and a progress report submitted to the Executive Secretary. The re-examination of the deferred (or denied) school includes another visitation by the Examining Team or one or more Commission representatives and/or the Executive Secretary of the Commission to review steps taken to meet the stipulations in the original letter of deferment or denial.

Periodic and Special Re-Examinations of Accredited Schools

The Commission is authorized to divide re-evaluation into phases, provided a total evaluation, including an instructional Self-Evaluation and a visit by an Examining Committee, is completed within a five-year cycle. The Commission may call for periodic or special reports from a school and may call for the re-examination of an accredited school in less than five years after any periodic evaluation.

Document 2.1

ACCREDITING COMMISSION
National Home Study Council

APPLICATION FOR ACCREDITATION

(Submit one copy and keep a carbon)

To: Executive Secretary, Accrediting Commission
National Home Study Council
1601 - 18th Street, N.W.
Washington, D.C. 20009

We have studied the necessary documents and wish to apply for accreditation by the Accrediting Commission of the National Home Study Council.

We offer the following courses (or major curriculum areas or training programs) on which we provide systematic examination and student services:

We think we can start our Self-Evaluation around ________________ (Date) and hope to submit our Self-Evaluation Report by ________________ (Date), after which time we will be ready for a visit of an Examining Committee.

Our institution is licensed/chartered by (State and Department):

Our institution is also accredited by the following professional associations with dates of their most recent visits indicated:

Document 2.1

Our school was established in the year____________.
We accepted our first home study enrollment in the year____________.
We accepted__________new students in our most recent year ending___________19_____.
We have__________field representatives who solicit enrollments in the areas indicated below:

Enclosed is our check for $100.00, the application fee. Please send the indicated copies of the following documents and any others which we may need.

Enclosed or under separate cover we are sending two copies of our catalog, brochures and/or printed materials describing our courses; and under separate cover, packaged separately, two complete sets of our courses.[1] We shall await your instructions relative to forwarding additional copies of our instructional materials for review.

Sincerely yours,

________________________Institution Head
________________________School
________________________Address
____

---

[1] The two packaged courses will be trans-shipped to subject specialists and should have the contents indicated on the outside. Each course should include the school's promotional literature, catalog, enrollment blank and the lessons, guides and examinations in the sequence they are received by the student at home.

Document 3.1

ACCREDITING COMMISSION
National Home Study Council

STANDARDS FOR ACCREDITING HOME STUDY SCHOOLS[1]

Standards for accrediting home study schools serve as guideposts in helping the school's staff an faculty evaluate important aspects of their program. The main values of the accrediting proces result from continuous growth and improvement through self-evaluation. Constructive self-evalu ation is the heart of the accrediting process and continuous self-examination is the basis for the improvement of educational services and selective administrative practices.

These standards have been developed by the Research and Educational Standards Committee, the Business Standards Committee, officials and other members of the National Home Study Council with the advice and cooperation of outstanding authorities on accrediting in the United States. Al standards have been approved and adopted by the National Home Study Council, the Board of Trustees and the Accrediting Commission. These same standards provide a guide for the examiners and Com missioners when they in turn evaluate the school as part of the accrediting program.

Accredited home study schools possess the following characteristics:

I. Educational Objectives

1. Description of Objectives

Educational objectives are clearly defined and simply stated. They indicate what the ed cational program can do for reasonably diligent students. The character, nature, qualit value and source of the instruction and educational service are set forth in language unde stood by the types of students enrolled. If a course prepares for an occupation or field o occupations, the objectives clearly state the types of occupations for which preparation is giv

2. Appropriate Objectives

The objectives of the school must be of such a nature that they can be achieved through correspondence study. The educational objectives are reasonably attainable. Appropriate objectives include the development of skills, the provision of job-related training, the imparting of information training in the application of knowledge, and the development of desirable habits and attitudes. Evaluation of the educational program is based on the announced course objectives and the success with which the objectives are fulfilled.

II Educational Materials

1. Comprehensive Instructional Materials

Instructional materials are sufficiently comprehensive to achieve the announced objective

2. Up-to-date Instructional Materials

Instructional materials are accurate and reflect current knowledge and practice.

3. Authorship

Instructional materials are prepared by qualified persons competent in their fields. Materia other than standard textbooks produced by recognized publishers, are prepared by cor spondence educators skilled in preparing materials for home study use.

4. Reading Level

The reading difficulty of the instructional materials is keyed to the reading competence o the average enrollee in the course.

---

[1] These standards serve as a minimum guide for examiners, subject specialists, and Commissioners. A rating sheet, with instructions, (Doc. 3.1.1) which reflects these standards is attached.

5. Study Instructions

Suitable instructions on how to study the course clearly indicate to the students what to do and how to learn effectively.

6. Organization of Instructional Materials

The organization and presentation of the instructional materials are in accord with the sound psychological principles of learning.

7. Teaching Devices

Instructional programs make effective use of appropriate teaching devices and supplemental instructional aids

8. Illustrations

Illustrations are used intelligently and they have educational and/or inspirational value.

9. Printing and Binding

Instructional materials are legibly reproduced, well manufactured, suitably bound, and attractive in layout and format.

III. Educational Services

1. Examination Service

The submission of examinations which adequately cover the materials is required. Adequate evaluation, correction services and necessary counseling by the instructor are provided for examinations.

2. Resident Courses

A resident course (terminal training) should supplement the home study course whenever it is necessary to attain the stated educational objectives.

3. Handling Student Inquiries

Relevant inquiries from students are welcome and are answered promptly and satisfactorily with due regard for any legal and professional restrictions.

4. Individual Differences

Adequate provisions are made to meet the individual differences of students and to provide counseling and guidance as required to assist the student to attain his educational goals.

5. Handling Failures

Students who fail to do satisfactory work are encouraged to continue until they either show inability to do satisfactory work, or until they demonstrate satisfactory progress.

Document 3.1

6. Encouragement of Students

A constructive program is followed to encourage students to start, continue, and finish the courses in which they have enrolled.

7. Student Evaluation of Courses

Reactions of students are sought as one basis for evaluating and improving instructional materials and services.

IV. Student Services

1. Grading of Examinations

Minimum student services include prompt return of accurately graded examinations

2. Student Records and Materials

Ample study materials should be provided at all times to the student. Essential student records should be adequately maintained.

3. Counseling and Employment Assistance

Competent counseling should be available to students on request. If employment assistance and other services for alumni are offered, they should be as purported.

V. Student Success and Satisfaction

1. Student Success and Satisfaction

A high proportion of students are satisfied with the training and educational services.

2. Progress Through the Course

A satisfactory percentage of enrolled students start the course, continue their studies, and finish. A sample checking of the students in a school must indicate a reasonable achievement in, and completion of, their course and satisfaction with the services which the school is rendering.

VI. Qualifications of Faculty

1. Educational Director

A qualified person serves as the educational director. He has overall administrative responsibilities for the educational program and a policy making voice in advertising, sales, and collections.

2. Department Heads

In large schools department heads or other qualified persons are delegated educational, editorial, and research responsibilities within subject fields.

3. Instructors

The school has a sufficient number of qualified instructors to give individualized instructional service to each student.

Document 3.1

VII. Admission Practices and Enrollment Agreements

1. Admission Practices

An accredited school exercises care to enroll only students who can reasonably be expected to benefit from the instruction.

2. Enrollment Agreements

The written enrollment agreement and/or other written documents left with the student specify clearly the nature and scope of the course, the services and obligations to which the school is committed and the privileges and obligations, financial and otherwise, of the student. Any changes in tuition, procedures, or rates must be made applicable to all future enrollees.

VIII. Advertising and Promotion

1. Advertising and Promotion

Advertising, promotional literature, and field representatives of home study schools make only clear and provable statements fully within the spirit of the Trade Practice Rules for Private Home Study Schools as approved by the Federal Trade Commission. Advertising in magazines, newspapers, on the radio or on television must be ethical in every respect. Flamboyant statements, emphasis on short-cuts or any statement in fact or by inference which is offensive to public educational authorities or to the general public are not to be employed in advertising or selling.

2. Control of Field Staff

Methods of selecting, training supervising, terminating, and compensating field representatives assure representatives who reflect credit upon the home study field. Field representatives, when used, must be directly responsible to the school. The school must give supervision to its representatives, and orientation or pre-employment training must be provided before permitting them to solicit enrollments. A current list of field representatives and their supervisors shall be available; the address of each field representative shall be available through the usual reference sources such as the telephone book, the local credit bureau and bank. A school under indictment by a State or Federal governmental agency for any deviation from good ethical practice shall not be accredited until cleared of all charges.

IX. Financial Responsibility

1. Financial Responsibility

The school can show, by financial statement, that it is financially responsible and that it can meet its financial obligations to provide service to its students.

2. Demonstrated Operation

The school can show two years of sound and ethical operation. Schools which are branches of affiliates of established schools may be accredited after fewer than two years of operation

X. Tuition Policies

1. Reasonable Tuition

The amount of tuition charges is reasonable in light of the educational services rendered and the school's operating costs.

2. Tuition Collection Procedures

Tuition collection practices and procedures are fair. They encourage the progress of students and seek to retain their good will. The right to protect its financial interests is inherent with any accredited school. Its tuition collection practices are in keeping with sound ethical business standards.

3. Tuition Refund Policies

The school recognizes that there are legitimate reasons why an enrolled student may not be able to complete his training with benefit to himself. Accordingly, the school has a policy for equitable tuition adjustment in such cases. Records should be maintained on tuition refunds and enrollment cancellations to provide a reference source for management analysis.

XI. Plant and Equipment

1. Plant and Equipment

The building, workspace, and equipment comply with the local fire, building, health and safety requirements and are adequately equipped to handle the educational program of the institution.

2. Record Protection

Educational records of all students are maintained in a safe, fireproof, and reasonably accessible place as long as they are likely to be needed. Other records are maintained in accordance with current educational, administrative, business and legal practice.

XII. Research and Self-Improvement

1. Research and Self-Improvement Studies

An accredited school shows evidence of progressiveness and of effort to improve operating efficiency and service. Sound research procedures and techniques are used to measure how effectively the announced course objectives are being met.

2. Revision Practices

Effective procedures are utilized to constantly improve materials and keep them current and up-to-date.

3. Professional Growth

Interest in improving the course of instruction and in the upgrading of personnel and faculty is demonstrated through membership in professional associations, review and application of research, and practical experience in the general field of education and the specific field of home study.

Document 3.1

4. Self-Study Program

An accredited school has an established program or plan reflecting a desire to improve its services to the student and to provide for the growth of the school and its staff and faculty.

Document 3.1.1

ACCREDITING COMMISSION
National Home Study Council

RATING FORM FOR EXAMINERS AND SUBJECT SPECIALIST REVIEWERS

The items listed below reflect school characteristics of basic importance to the Commission as described in the "Standards for Accrediting Home Study Schools". Document 3.1. Please refer to Document 3.1 for descriptions of the standards. Along with each major rating item, questions have been added which may help the examiner or subject course reviewer; in some instances these questions may assist in questioning school personnel or in reviewing their course materials. The school should be rated on each characteristic as follows:

O - Outstanding

S - Satisfactory

U - Unsatisfactory, less than
a minimum standard.

Ratings, especially O and U ratings, should be explained in detail by attaching constructive comments and specific illustrations so that the findings can be relayed to the school in a helpful manner.

Examiners and subject reviewers are not limited by this guide and are encouraged to explore any related characteristics and activities. Certain of the listed characteristics are of special importance to each individual examiner and subject specialist. The following code indicates these:

(1) Research and Educational Examiners should use all of Sections I through VII and Section XII

(2) Subject Specialists should use all of Sections I and II and Section III 1. Subject Specialists who accompany the Examining Team should also use Sections III, IV, V, and VI.

(3) Business Standards Examiners should use all of Sections VII through XII.

I. Educational Objectives (1) (2) — Rating (O, S, or U) ______

1. Description of Objectives ______

Do the statements of objectives:

indicate for whom the instruction is intended, e.g., inexperienced people wishing to enter a field; employed people desiring upgrading; experienced people needing re-training; people needing a refresher course; and what background is presupposed?

indicate the kind of training offered, e.g., in-service, job-related theory; practice of skills; theory and practice; academic or general education?

indicate expected outcomes, e.g., the degree of competence gained, skill, working knowledge or familiarization; the knowledge of a field -- know-how; preparation for occupational licensing examinations; appreciations and understandings; a standard diploma; preparation for a specific occupation -- at what level?

Document 3.1.1

2. Appropriate Objectives

Are the objectives clear; are the objectives specific; what background is presupposed in terms of experience, age, education, and physical requirements or limitations? Can the objectives be accomplished by correspondence study or correspondence study combined with required and stipulated resident training?

II. Educational Materials (1) (2)

1. Comprehensive Instructional Materials

Is there complete coverage of the material indicated by the title? Does content coverage appear thorough enough to meet stated objectives?

2. Up-to-date Instructional Materials

Is instructional material up-to-date? (Consider revision, editing, writing, and printing time). Is instructional material accurate? (Consider latest developments as related to contents).

3. Authorship

Does the material reflect information and the degree of professionalism attributable to knowledgeable authors?

4. Reading Level

Is the reading level correct? (Consider content, student); what is your estimate of the reading level? Is material subdivided into chapters, units of instruction, or sections that are satisfactory and logical units of instruction?

5. Study Instructions

Did you find "how-to-study", and course procedures and instructions to students in the course? Are these instructions to students properly placed in the course? Are instructions to students complete, leaving no doubt in the student's mind as to correct school administrative, study, and examination procedures? Are the instructions clearly written and easy to understand? Are the instructions adequately illustrated? Does motivation appear to have been adequately considered in writing and organizing the text and in the supplementary materials?

6. Organization of Instructional Materials

Is the organization of the total course such as to assist in student understanding? Is each unit generally organized in an "easy to learn" order? Is there any "backtracking" made necessary by illogical arrangement of printed parts of the program which might be confusing to the student?

7. Teaching Devices

Are necessary and desirable teaching devices used? Are the teaching devices used pertinent and practical?

Document 3.1.1

8. Illustrations - ______________

Is the reproduction process used for illustrations appropriate and satisfactory? Are the illustrations well-chosen and adequate for the purpose intended?

9. Printing and Binding ______________

Is the format attractive and functional? Does the format make it easy to comprehend the overall organization of the course? Is each printed piece clearly titled, thus easily identifiable? Is the format consistent and does it enhance the recognition of successive instructional units? Does the binding method used appear to be appropriate for the type of course? Should consideration be given to another method of reproduction? Are the column width, type, size and spacing appropriate for the content?

III. Educational Services (1) (2)*

1. Examination Service ______________

Is the type of test - essay, objective, case study, performance (do it), comprehensive (combination of two or more of the preceding types), and/or commercially available tests - well adapted to the instructional material? Are the test items well constructed? Does the testing program cover the instructional material? Is it possible for a student to pass the tests with very little or no study of the instructional material? Does the quality of the examination items justify the time spent in studying? Is the number of exams sufficient to cover the instructional material? Does the testing program attempt to teach as well as test? Are test directions understandable?

2. Resident Courses ______________

Is terminal training provided when it is required? Does the school operate its own resident training facilities? Are adequate equipment, faculty and facilities available? Is adequate student housing available? Does the enrollment agreement clearly explain the conditions and cost of the required course?

3. Handling Student Inquiries ______________

Does the school have a planned program for efficient and prompt handling of student inquiries? Does the school encourage inquiries from students? Does the school employ competent personnel to handle inquiries, especially those of a technical nature?

4. Individual Differences ______________

Does the school have competent personnel to provide guidance and counsel individual students with personal and professional problems? Is there a file available to reflect this service?

5. Handling Failures ______________

Are there any failures? What is the school's policy and procedure for handling failures? What encouragement is given to failing students?

---

* Subject Specialists who are members of the visiting examining team should apply this entire section, others apply Section III, 1.

6. Encouragement of Students ____________

What special efforts are made by the school to motivate students? Can you find specific instances of the materials, letters, and actions by the school to encourage students to start, continue and succeed in their studies?

7. Student Evaluation of Courses ____________

Is there any provision for using student comments and problems for the continuing evaluation of the course? Is there a "revision of course file" consolidating printing and contents errors based upon the course experience, with both student and faculty comments? Does the school use end-of-course critique forms to be completed by the graduates?

IV. Student Services (1) (2)[*]

1. Grading of Examinations ____________

Is the time required for the grading and return of examinations reasonable? Are student questions and problems answered thoroughly and accurately? Are references and explanatory notes provided for incorrect examination questions?

2. Student Records and Materials ____________

How efficient and effective are the student academic record and transcript services? Are essential student records adequately maintained? For how long? Are instructor's comments and counseling advice recorded in student records? Are ample study materials provided at all times?

3. Counseling and Employment Assistance ____________

Is there a warm and continuing faculty-student correspondence and guidance program? Is employment assistance offered? How effective is it? Does the school provide special services to alumni? What indication is there of the effectiveness of such service?

V. Student Success and Satisfaction (1) (2)[*]

1. Student Success and Satisfaction ____________

Is there ample evidence of student success and satisfaction? Have students expressed their satisfaction with both the course materials and educational services? Does the school maintain a complaint file? How does the school handle complaints from Federal, State, and local authorities?......from students? Have they had, or do they now have any court cases or serious complaints?

2. Progress Through the Course ____________

Are the non-start, drop-out and completion rates satisfactory in the light of the nature of the course and the student body? How good is the placement record (when placement assistance is available)?

---

[*] Subject Specialists who are members of the visiting examining team should apply this entire section.

Document 3.1.1

VI. Qualifications of Faculty (I) (2)[*]

1. Educational Director ______________

Is the Educational Director or academic head qualified both educationally and technically (professionally) for the position? Is he responsible for the educational program? Does he assist in policy development for advertising, sales, and collections?

2. Department Heads ______________

If there are department heads, are they qualified? What are their educational, editorial and research responsibilities?

3. Instructors ______________

Are instructors experienced and qualified? Are there an adequate number of instructors? Is each student provided individualized instructional service?

VII. Admission Practices and Enrollment Agreements (I) (3)

1. Admission Practices ______________

What is the relationship and responsibility of the educational director or the academic department in the screening and enrollment process? Does the academic department play any role in the establishing of enrollment standards and criteria, and in the acceptance and rejection of prospective enrollees? Have minimum criteria for enrollment been established? Are these documented? Did you see a file of rejections - or could the school document the fact that students are rejected or placed "on-trial" etc. based on the established criteria? Does a sample of 50 or 100 completed enrollment agreements in the files indicate or tally out essential variables such as age, educational level, pay plan selected, etc.?

2. Enrollment Agreements ______________

Is every detail of each enrollment agreement clear and specific as to obligations of the school, services included, obligations and privileges of the student, address of the school, etc.? Is a copy of the enrollment agreement left with the student? When? Is adequate supplementary information left with the student?

VIII. Advertising and Promotion (3)

1. Advertising and Promotion ______________

What follow-up is made on leads? Does promotional matter make only clear and provable statements fully within the spirit of the Trade Practice Rules of the FTC? Does promotional copy contain unjustified superlatives or cast reflection on competing schools? Is there any confusion about the address of the home office and the actual name of the school?

---

[*] Subject Specialists who are members of the visiting examining team.

Document 3.1.1

2. Control of Field Staff ____________

How are agents recruited? screened? selected? How are new field representatives trained? What is the compensation plan for field representatives? Is their working relationship clearly spelled out in a contract or letter agreement? Do they retain or lose their rights to future commissions paid after they sever relationships with the school? How are the field representatives supervised? How many field representatives does each supervisor handle? Does the supervisor enroll (accept or reject) students on his own account? How close is the relationships between agents and supervisor? What is the tenure pattern? Turnover rate (especially with new employees)? How are complaints arising from field representatives handled. What percentage of the field representatives earn enough to make a living with this school? Did you inspect records of compensation, turnover, supervisory ratio, handling of complaints arising from agents, discharge, etc.?

IX. Financial Responsibility (3)

1. Financial Responsibility ____________

Does the school demonstrate long term financial responsibility? Are the fiscal policies and procedures sound? Is the student contract protected? Is there a balanced budgetary expenditure between educational activities, including materials and student-faculty services, and the other administrative-advertising requirements?

2. Demonstrated Operation ____________

Has the school demonstrated sound financial responsibility for the preceding two years? If a recently established branch or affiliate of an established school, does the financial record of the parent school reflect at least five years of sound, ethical operation?

X. Tuition Policies (3)

1. Reasonable Tuition ____________

Is the tuition too high or too low for the educational publications, course materials and services? What is the relationship between tuition cost and the cost of educational materials and services, and administrative, advertising and other operating costs?

2. Tuition Collection Procedures ____________

Do collection practices encourage the student to proceed with the course? What percent of the face value of the enrollment agreements do the "normal" (non-pressure) collection methods bring in? What additional percentage is brought in through extraordinary methods? What percent of all accounts are sent to outside collection agencies? to inside attorneys? to outside attorneys? to "house" collection agencies? What percent of the value of these eventually accrues to school?

3. Tuition Refund Policies ____________

What are the procedures and policies applicable to students who want to drop out? If a cancellation plan is in use, what percent of all students take advantage of it? Are tuition refund and cancellation policies documented and familiar to school officials? Have you spot checked a sample of 50 or 100 student accounts to see how many paid in full, how many were cancelled at various points in the procedures applicable to delinquents, etc.? Does the school have a file to show cancellations and refunds or any means of documenting their refund and cancellation policies? What reasons does the school recognize for cancelling further payments? Under what circumstances does the school make refunds to students who have paid beyond their progress in the course?

XI. Plant and Equipment (3)

1. Plant and Equipment

Is the condition and amount of workspace satisfactory? hygienic? safe? Are the working conditions good?

2. Record Protection

Are the workflow and office systems efficient? How long are student educational records kept after the course has been finished? How long are financial records kept? Are financial and student records kept in fireproof or fire resistent places? To what extent do they offer a fire hazard when in use? What records are maintained permanently? How accessible are old or "dead" educational records?

XII. Research and Self-Improvement (1) (3)

1. Research and Self-Improvement Studies

What evidence is available to show that the school is aware of the need for research? What internal studies of its own operation has the school made? Have sound procedures been followed in conducting research studies? What analytical studies of its students has the school made in terms of their progress, characteristics, background, etc.? What analysis of the potential of its field of service has the school made?

2. Revision Practices

What research has the school done to show the degree to which the course is achieving its announced objectives in terms of student accomplishment? What sort of plan and procedure does the school use to provide information leading to course revision?

3. Professional Growth

Has the school demonstrated any interest and activity in professional organizations of related interest and objectives?

4. Self-Study Program

Does the school have a well conceived program in mind (and on paper) for its future growth, development and improvement?

Document 3.1.1

RECOMMENDATIONS AND CONSTRUCTIVE CRITICISM

The commentary you make here should be of a critical but also a constructive nature. Whatever help, advice, suggestions and ideas you can provide should be directed towards helping the school meet Accrediting Commission standards. Be specific and realistic in your comments. Please key by paragraph number your comments to the applicable sections of this form. Use extra sheets if necessary. Subject Specialists who may not accompany the Examining Committee into the school should list additional questions to be raised by the Subject Specialist member of the team when he visits the school.

Name of School

Examiner or Subject Specialist*

Address

Date

---

* Subject Specialists who have printed resumes of their background, history and experience are requested to attach these to this evaluation. If resumes are not available, a description of your present position and qualifications is requested.

ACCREDITING COMMISSION
National Home Study Council

GUIDE TO SELF - EVALUATION

The Commission has two purposes in asking institutions to make a Self-Evaluation before an Examining Committee visit: (1) to help the institution make a critical self-examination, which the Commission believes is of primary importance; and (2) to obtain information which the Examining Committee will need in preparation for and during their visit, and which the Accrediting Commission will need for its background study of the school.

This Guide to Self-Evaluation consists primarily of a list of questions. The Commission expects complete and, wherever practical, documented answers to each applicable question. It expects the institution to feel free, however, to make such modifications in the questions and to supply such additional information as will most adequately describe its particular operations. In the past, applicants have typically used from 16 to 40 single-spaced pages to answer their questions. Supporting exhibits and documents may be interwoven in the report or identified with appropriate questions and put into an appendix.

In preparing the Self-Evaluation Report, the writer should copy each question, numbered as in this Guide, and write the institutional answer below it. Supportive statistical data and substantiating statements should be given whenever possible.

Use standard 8-1/2 x 11" paper. Number the pages of the Report consecutively, beginning with page 1, with a table of contents and a title page like the sample shown here.

To guard against loss, the pages may be stapled, bound, inserted in a three-ring notebook, or held together in any better way than by a paper clip. Copies of the Report may be duplicated by mimeograph or any other legible process.

The Commission will need 10 copies of the Report. As soon as ready, all 10 copies should be sent to the Secretary. Certain copies will go to members of the Examining Committee and returned for reuse. Later, each member of the Commission will receive one.

Two months should be allowed between receipt of the Report in the Secretary's office and the expected visit of the Examining Committee.

(Sample title page)
Self-Evaluation Report

Data presented for consideration of the Accrediting Commission of the National Home Study Council.

by

(Name of institution)
(Address of institution)

The data submitted herewith are certified correct to the best of my knowledge and belief.

(Name and title of reporting officer)
(Date)

QUESTIONS

I. Organization

1. History. When was the institution founded? Trace a brief history of the institution showing changes of name, creation of new divisions, and major changes in ownership and management. (Need not duplicate item 46.)

2. What is the legal form of the institution? (Stock corporation, partnership, proprietorship, non-profit corporation, or what?)

3. Who controls the institution? If the institution is a stock corporation, list the name and addresses of any persons or organizations owning 10% or more of the voting stock.

4. Supply an organizational chart of the school showing the relationships among its component parts, and the responsibilities and relationships of the governing board, administrative officers, instructional staffs, important committees, advisory boards, etc. Identify by name the incumbent of each supervisory or administrative position.

5. Is your institution licensed or approved by any local, state, or other governmental agency? Is your institution approved or accredited by any non governmental agency? If so, list them and give dates of first approval. Have you ever been denied approval or had approval withdrawn? If so, give the details.

II. Educational Objectives

6. State the educational objectives of each major course (or group of courses) offered by the school. These objectives should make clear what the educational program can do for reasonably diligent students. Indicate the kind of training offered, for whom the instruction is intended, and the expected outcome.

7. State the relationship between institutional objectives and the needs of the public served, i.e. What social service is being performed? How badly is training needed in this area?

8. Fill out this table for each of your major courses.

Name of course	Number of exams in it	Total clock hours your typical enrollee must spend to complete course	Months normally required to complete course	Number of new students enrolled in course last year

III. Educational Materials and Services

NOTE: As soon as the Self-Evaluation is started, the school should send two (2) complete sets of each of its courses to the Executive Secretary. Each set should contain the complete course including all texts, kits, tools, and examinations packaged in the sequence in which the student receives them. In addition, each

Document 4.1

set should be accompanied by copies of all advertising and promotional literature, enrollment agreements and school catalogs.

9. Describe briefly the history and policies and procedures of the institution in originating its course or courses.

10. Describe your instructional materials from the following standpoint:

    A. Comprehensiveness. How do you know that your courses are sufficiently comprehensive to achieve their announced objectives?

    B. Currency and Accuracy. Are the instructional materials up-to-date? Accurate? How do you keep your course content up-to-date?

    C. Authorship. Name the author or authors and give their qualifications and experience in their fields. If standard textbooks are used, list titles, authors, publishers, and copyright dates.

    D. Reading Level. How do you know that the reading level of your instructional materials are keyed to the reading competence of your average enrollee? Have you made any readability tests or checks of your courses? If so, with what results?

    E. Study Instructions. What methods do you employ to instruct the student in how to proceed, how to study, and how to learn effectively?

    F. Organization. Show how the organization and presentation of your instructional materials are in accord with sound psychological principals of learning.

    G. Teaching Devices. Describe any supplemental teaching devices you use, such as study guides, outlines, films, sound recordings, kits, special equipment, etc.

    H. Illustration. Indicate types and use of illustrations for educational and inspirational value.

    I. Printing and Binding. Describe the reproduction process used, binding, and general layout of your instructional materials.

11. What relationships do you maintain with the occupational or educational fields covered by your courses? Are these relationships maintained for course revision, graduate placement, faculty growth, or public relations purposes?

12. Does resident instruction supplement the home study instruction? If so, describe the resident program.

13. What type of examinations are used (type of items)? To what extent do your examinations adequately demonstrate achievement of the instructional objectives? In what ways do examinations provide for significant learning experiences. Describe how the instructional staff evaluates, corrects, and grades examinations. How do instructors provide additional instructional and counseling services?

14. What is the process for the handling of students inquiries?

Document 4.1

15. What provisions do you make for students with poor comprehension? Rapid learners?

16. What do you do when students fail to do satisfactory work on an assignment? On the course?

17. Explain your program of encouraging your students to start, continue, and finish the course in which they have enrolled.

18. How do you utilize the reactions of students to effect changes in the educational materials and services? What systematic methods are used to make instructional materials easier to learn?

IV. Qualifications of Faculty

19. Give the name (and position) of the educational director, and all instructional department heads, instructors, editors, technical consultants, etc. For each indicate the (a) amount of weekly service rendered, (b) extent of formal education, (c) special training, (d) experience qualifying him for the position, (e) professional education courses or degrees completed, (f) training in correspondence education, and (g) activity in trade and professional associations, labor unions, and professional writing,(need not duplicate parts of item 11 and item 49).

V. Student Services

20. Describe the basis upon which instructional materials are supplied to the student. Do students who pay for the course receive all instructional materials even though they fail to submit examinations?

21. What student records are kept? Submit a sample educational record form.

22. What kinds of counseling are provided? At what stages is counseling given? By whom?

23. Does the school offer employment assistance? If so, describe this service in detail. What results are obtained?

24. Present exhibits of certificates, diplomas, and degrees awarded. Under what authority are they given?

25. To what extent are your diplomas, certificates, and degrees accepted by other educational institutions, licensing bodies, and employers?

VI. Student Success and Satisfaction

26. What evidence have you that a high proportion of your students is satisfied with the courses in which they enroll? What proportion of your students or graduates get advancement or new jobs as a result of your instruction and service? Describe any follow-up of graduates you may make. Please attach a digest of results of any follow-up studies made recently.

27. Select a random sample of student records for each major course and show student progress in accord with procedures set forth in Document 4.1.1.

28. List all legal cases and suits initiated by students during the last five years and indicate briefly the cause and the disposition.

VII. Admission Practices and Enrollment Agreements

29. Describe the steps in the enrollment of the typical student. What major variations are there to these steps? Who determines acceptance standards and who determines final acceptance in marginal cases? How many students were rejected or were disenrolled after the first few lessons upon recommendation of the school during the twelve months preceding this report or during any period conveniently described by your records?

30. Supply copies of your enrollment agreements. Is a copy left with each student?

31. What are the enrollment requirements for students with respect to age, education, health, occupation, experience, appearance, employability, etc. If a specific education level is required, how is it determined?

32. Does any form of governmental licensing apply directly or indirectly to the particular vocational area or areas you serve? If so, explain the policies and procedures of your institution which relate to such licensing.

VIII. Advertising, Promotion, and Sales

33. Describe the advertising and promotion programs of the institution.

34. Supply copies of all printed advertisements, radio and TV continuities, and mailing pieces now in use to invite inquiries from prospective students.

35. Supply copies of any institutional advertising materials in use to inform particular occupational groups, employers, other educational institutions, or the general public, of the services you offer.

36. Supply copies of all sales letters, printed materials, and catalogs mailed or delivered to prospective students.

37. Do you employ field representatives? If so, state how you recruit, select, train, supervise, and terminate the employment of field representatives. Supply copies of standard agreements with field agents and compensation arrangements with agents. Supply also copies of recruiting ads, application forms, rating scales, and bond forms used. Supply list of current field organization, with names of field representatives, regional offices, their local addresses and their territory.

38. Supply copies of instructions and sales manuals to field representatives and duplicated letters and bulletins furnished for their guidance.

39. Have you had any Federal Trade Commission action over the past five years, or any state initiated complaint or action during this same period? If so, give dates, cause, and final disposition.

IX. Financial Responsibility

40. Submit copies of the institution's annual financial report for the last two fiscal years showing assets and liabilities, and a profit and loss statement. Is there an annual audit by an outside firm of certified public accountants?

Document 4.1

Attach a summary of your salary schedules (minimum and maximum) for the following categories:

A. Top school executives.

B. Administrative and Business staff.

C. Educational Director and Faculty.

D. Part time Instructor (per exam or per hour).

How much money was spent last year in the research and development of new or revised course materials, student printed materials and publications and student services?

41. What is the extent and allocation of insurance coverage?

X. Tuition Policies

42. List the courses you offer and their prices under various payment plans.

43. Describe in detail your policies and procedures for the collection of tuition. Present data on the volume of accounts that reach successive stages of action. What results are obtained with each successive step? Supply a complete set of statements and tuition-payment letters.

44. Describe the policies and procedures used in the settlement of student accounts in cases (a) where there are legitimate reasons why the enrolled student may not be able to complete the course with benefit to himself, and (b) where the student has changed his mind and wants to drop the course. Under what circumstances, and for what reasons do you allow a refund of tuition?

45. Do you offer scholarships of any kind? If so, who is eligible? What is the source of the money? Who makes the selection of recipients? How many scholarships were granted during the last calendar year and what is the total value of these scholarships?

XI. Plant and Equipment

46. Describe the workspace occupied by your school. Indicate the floor areas, type of construction, and compliance with local fire, building, health and safety requirements. What major pieces of equipment (and record systems) have you to aid in the provision of the educational service?

47. What are the procedures used by the institution for the maintenance of student and graduate records? Indicate the length of time records are kept, the type of equipment used, the degree of fire-protection afforded, etc.

XII. Research and Self-Improvement

48. What is the history of major changes in your institution with respect to new courses offered, established courses improved, the addition of student services, the raising of entrance or completion standards, the addition of new educational personnel, the improvement of sales, promotion, or collection procedures, etc. How did each change come about?

Document 4.1

49. What internal or operating research and quality controls are carried on systematically? Submit any material or data you may wish which gives evidence of present efforts to extend or improve the services conducted by your institution. Have you applied any new ideas and practices recently that have been a result of your membership and activity in professional organizations?

50. What problems has this Self-Evaluation helped you to identify? What do you consider to be the major problems faced by your school. What plans have you for solving those problems?

51. After going through the Self-Evaluation, what suggestions have you for the improvement of the process? What additional questions should be added to help present the merits of your organization?

Document 4.1.1

ACCREDITING COMMISSION
National Home Study Council

INSTRUCTIONS FOR STUDIES OF STUDENT PROGRESS

Item 27 in the Guide to Self-Evaluation can be restated as follows:

In answer to item 27, the school should present data from an adequate statistical study or sampling of student records which shows:

- a. the number of enrollments in the sample
- b. the percent completing the first assignment
- c. the number completing through several specific points in the course
- d. the average number of assignments completed
- e. the percent of students completing the course

Do this for each of your major courses.

In regard to d above, in order to plot the graph called for on page 3, we suggest calculating how many finish successfully each successive tenth part of the course, e.g. how many sent in the first 10% of the total examinations in the course, 20%, 30%, etc. Other breaks may be more convenient in your course. Data should enable you to plot a graph somewhat similar to the one shown later in this document.

Suggested Method of Deriving Data by Use of Sampling

Size and selection of sample: No fixed size of sample is suggested. Medium and larger schools may want to use 1,000 or more while smaller schools may have to drop to smaller samples or even to a complete count. Care should be taken not to let the sample become selective. In an alphabetical or numerical list, to arrive at the desired sample one might need to take every fifth, tenth, or fortieth name falling in the required enrollment period. Small samples of 500 or even fewer may be acceptable provided they were drawn on a truly random basis and the percent of error recognized.

One should include only students who enrolled long enough ago to have had a reasonable chance of completing the course. If the course has changed little recently, include only students who have been enrolled for the entire period normally allowed to finish the course. If material changes have been made, one can select a period of enrollment sufficiently far back to embrace at least 80% of those who are going to finish (i.e., if 80% usually finish within 18 months, one can select from those who enrolled during a period prior to 18 months ago).

Tallying and Calculation: After the sample has been drawn, one needs to tally how many assignments have been finished (usually how many examinations have been sent in) and have received passing grades. The tally for a sample of 1,000 students in a ten-assignment course might look like this:

Document 4.1.1

		Number of Students Progressing this far	Total Number of Exams sent in
Non-starts	---------	80	0
Credit for (but not 2)	1 Exam	130	130
	2 Exams	110	220
	3 Exams	103	309
	4 Exams	84	336
	5 Exams	65	325
	6 Exams	38	228
	7 Exams	16	112
	8 Exams	13	104
	9 Exams	14	126
	10 Exams	347	3,470
		1,000	5,360

In the sample 92.0% of the students (all but 80 of the 1,000) completed the first assignment.

If all enrolled students in the sample had done 100% of their work, 10,000 examinations would have been sent in. Instead, 5,360 were received. The typical or average enrollee went 53.6% of the way through the course. This is the completion rate of the course. (This definition was promulgated by the National Home Study Council's Research and Educational Standards Committee and issued in the NHSC LETTER of April 16, 1955.) This probably is the best single index of student progress. It can be a basis of comparison within the school as improvements are made from time to time. Many of the injustices of interschool comparison, however, are obvious.

In the sample, 34.7% of the students completed the course. (i.e., They did all the home studying required regardless of whether or not they took any "final examination", supervised examination, entered upon terminal resident training, qualified for certificates, or a diploma, etc. This figure should reveal what percent of the students finished the home study part of the course. If this figure includes resident study also, it should so specify. Where resident terminal training is offered, it is of interest to know what percent of the sample start and what percent of finish the resident portion of the course.)

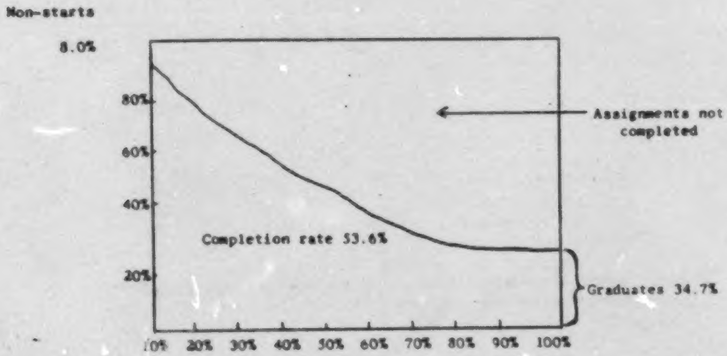
NOTE: The same base (a) is used for (b), (c), (d), and (e).

> An enrolled student is one who has made the required tuition down payment, has been accepted, and has been sent his first instructional materials.

Similar studies should be made and reported for each different major course of field, e.g., high school, chemical engineering, accounting, traffic management, factory management.

STUDENT PROGRESS GRAPH

For each major course, prepare a line graph similar to the following showing student activity. The graph below shows the student progress of the example on the opposite page. The graph closely approximates the actual record of one accredited school.



Ten exams in course. Sample of 1000 students.

Interpretation:

8.0% non-starts
92.0% sent in first exam (starting rate)(also finished 1/10 of course)
79.0% finished 2/10 of course
68.0% finished 3/10 of course
57.7% finished 4/10 of course
49.3% finished 5/10 of course
42.8% finished 6/10 of course
39.0% finished 7/10 of course
37.4% finished 8/10 of course
36.1% finished 9/10 of course
34.7% finished entire course

Average percent of assignments completed: 53.6%

(This is the completion rate obtained from a tabulation of exams sent in by all students in the sample.)

Document 8.1

ACCREDITING COMMISSION
National Home Study Council

REQUEST FOR EXAMINING COMMITTEE VISIT
(Submit one copy and keep a carbon)

____
(Date)

To: Executive Secretary
Accrediting Commission
National Home Study Council
1601 - 18th Street, N.W.
Washington, D.C. 20009

Under separate cover we are sending you 10 copies of our Self-Evaluation Report together with a copy of all materials requested in the Guide to Self-Evaluation.

We will be ready for a visit by an Examining Committee on or around the following dates: (Please suggest dates at least six weeks and preferably two or three months in advance of the expected visit.)

We expect to have confirmation of suitable dates at least four weeks in advance of the visit.

Sincerely yours,

____
Institution Head

____
School

____
Address

____

Document 6.1

ACCREDITING COMMISSION
National Home Study Council

RESPONSIBILITIES OF MEMBERS OF EXAMINING COMMITTEES

Objectives of the Examining Committee

The Examining Committee visit is always made after the school has gone through an intensive Self-Evaluation. The visit constitutes the second major phase of the total evaluation process. Its purpose is twofold:

1. To stimulate an institution toward further growth and development. In this stimulation the Committee visit is important in three ways.
   a. The pending arrival of a competent Examining Committee should motivate critical self-analysis, stimulate alertness, and heighten professional tone throughout the staff.
   b. The raising of questions and exchange of information and viewpoints in interviews and conferences with staff members potentially leaves a residue of new ideas, encouragement, and confidence.
   c. After the Committee leaves, an open-minded school staff will reassess its work and consider application of new ideas which may result in material improvement in the quality and effectiveness of its program.
2. To gather and verify additional data through first-hand observation. For this purpose Committee members will observe intangibles which may not be apparent in written reports, examine records, make spot checks and sample tests and inquire into matters which may have been overlooked in the Self-Evaluation. The data gathered for the Accrediting Commission is to supplement that which appears in the Self-Evaluation Report.

Responsibilities of Chairmen

1. To arrange a work schedule for the visit and inform the Examining Committee members of it in advance.
2. To orient the Committee at its initial meeting and to call such other Committee meetings as may be necessary.
3. To make and change Committee assignments as necessary to ensure adequate coverage and to equalize their work loads.
4. To be spokesman for the Committee during the institutional visit.
5. To assign responsibilities and deadlines for drafting the Committee Report.
6. To prepare the Examining Committee Report, prepare a short summary or recapitulation of it, and to forward the complete Report with summary to the Secretary within three weeks after the visit.
7. To be present on request at the next Commission meeting to present the Committee Report or to answer further questions about the institution.

Document 6, I

Responsibilities of Examining Committee Members

1. To study in advance of the visit the instructions to Committee members and other documents sent out by the Commission.

2. To study the Self-Evaluation Report prepared by the school to be visited.

3. To formulate tentative questions they might ask appropriate people on their visit to the school.

4. To prepare their assigned portions of the report of their visit and forward them to the chairman by the time agreed upon.

5. To keep confidential all information obtained on the visit in both the Self-Evaluation Report and the Committee Report.

Responsibilities of the Secretary of the Accrediting Commission

1. To arrange specific dates for the visit of the Examining Committee with the head of the institution being visited.

2. To arrange for housing and meals of the Examining Committee.

3. To make cooperative arrangements with any specialized agencies concerned with a joint or reciprocal evaluation.

4. To select and announce the Examining Committee under policies and procedures approved by the Accrediting Commission.

5. To send appropriate instructions and background documents to Committee members.

6. To receive the institution's Self-Evaluation Reports and distribute them to the Committee members.

7. To receive expense accounts of the Committee and to reimburse them.

8. To receive the Committee Report from the chairman, reproduce it, and distribute copies to the Accrediting Commission, and to the Examining Committee.

9. To notify the school of the action taken by the Accrediting Commission, to include constructive and specific suggestions and findings.

Teamwork

The Examining Committee should plan to work as a team under the direction of the chairman. Each member of the team is selected with regard for the specialized contribution he can make to it. It follows that assignments of Committee members will differ somewhat. However, each member will need to take advantage of the observations made and the leads developed by his teammates. Conversely, each will share information as needed to develop a unified picture of the school being visited.

Committee members and chairmen serve as responsible agents of the Accrediting Commission of the National Home Study Council and work within the framework and regulations established by the Commission.

Document 6.1

Attitudes and Approaches

The visit of the Examining Committee should be an educational experience for both the staff being visited and the visitors. The whole attitude needs to be one of mutual confidence and concern with the problems of the school. The visit is not an investigation even though many facets of the school's operation are carefully examined. No assumption of weakness or unworthiness is made.

The primary relationship might be characterized as one of "thinking together." Both local staff and visitors are interested in developing better solutions to their problems. Visitors often have a perspective different from that of the local staff who find it easy to see the trees instead of the forest.

From the experience in their own schools and from visits to other schools, visitors can raise questions both to elicit information and to stimulate thinking. Committeemen may find it useful to formulate in advance questions designed to get at the heart of the matter or to open up other points of view. They must not expect to find all schools operating alike. A committeeman's own bias should not be imposed on the school he visits.

Committeemen are expected not to ask for a repetition of the information presented in the Self-Evaluation Report with which they are presumed to be familiar. However, they may ask for further data or an interpretation of them. Personal examination of a sample of records, systematic sampling studies to verify points in the report, and spot checks are in order.

Insofar as possible some members of the Examining Committee should confer with every staff member in a position of responsibility above the purely routine level. The value of thorough coverage, either on an individual or small group basis, cannot be overestimated. Persons previously involved in the institutional self-study have built up expectations. If they are ignored, the Committee, by lack of attention and thoroughness, is missing an opportunity to reward them for the work they have done and to stimulate them to further achievement. The chairman should take pains to see that all who have been previously involved are included in the interviews, however short some may have to be.

Summary of Suggestions: An Approach to Evaluation

The following summary of suggestions for the Examining Committee members may be helpful. Upon examining and studying the printed exhibit materials and self-evaluation data look for:

a. the positive in fulfillment of stated objectives,

b. teaching techniques,

c. up-to-dateness of texts,

d. comprehensiveness of course coverage,

e. evidence of good, sound educational planning based upon self-study and practical research,

f. achieving of good results,

g. evidence of progress,

h. professionalism of staff.

i. educationally sound and businesslike enrollment procedures,

j. effective student services,

k. administrative efficiency; orderly and systematic procedures,

l. practical and sound record keeping methods,

m. individualised instruction,

n. adequacy of physical plant and equipment,

and other such qualities as are expected of an accredited school. These are points taken from Document 3.1, Standards for Accredited Home Study Schools.

How to get the information:

a. use Document 3.1.1 to be sure of comprehensive coverage of main points.

b. verify what you've read and have been told by questioning people, anyone -- kindly and to the point. All have been told why we're here and they're glad to cooperate. Ask to see exhibits, texts, exams, special handling or files showing acceptance and rejection of enrollment applications, disenrollment of students for non-qualification with fair refund policy applied, counseling of students and services to students as requested or required, counseling methods, forms, revision dates, statistics, and anything else you need to know to give a professional, evaluative, and helpful appraisal of these schools. In short, get all the information you need to write a complete report. You may open incoming and outgoing student examination and service requests to check actual grading and services. All student correspondence files, student grading and account cards should be available for inspection.

Confidential Information

All data, observations, conversations, findings and reports related both to the Self-Evaluation and the Committee visit are to be kept confidential. Committee members are particularly cautioned that (1) personal observations, (2) committee discussions, (3) the Self-Evaluation Report, and (4) the Committee Report are highly confidential and privileged communications. Information should not be divulged from any of these sources. Likewise materials should not be left where they may be read by others.

Committee members must remember that only the Accrediting Commission makes the decision about accreditation. No Committeeman is entitled to express an opinion as to the Commission's probably action.

Sequence of Activities During the Visit

Upon arrival in the location of the school being evaluated, the Committee members meet with the chairman in executive session for orientation. The group discusses the Self-Evaluation Report and agrees upon a plan of visitation. During this session the Committee develops its cohesion and some understanding of common norms.

Upon arrival at the school the Committee usually meets with the head of the school and such others in his administrative staff as he may select. A major purpose of this meeting is to provide for mutual acquaintance and agree upon a schedule and plan of procedure.

Committee members may make their visits as the chairman's judgment may dictate -- singly, in pairs, or as a group -- depending upon their experience and the size and complexity of the institution. Much of their interviewing will be with individuals. At times, especially in larger institutions, it may be wise to see small groups. Committee members may want to work from an outline, take generous notes, and assemble further information as aids in preparing their report later.

The chairman may wish to arrange at least one Committee meeting at or after the halfway point to permit consolidating notes, assessment of progress, and change of plans as may seem desirable. Late afternoons and evenings are good times for Committee meetings.

After the interviewing is finished, the Committee will want to meet in executive session to consolidate notes, discuss their observations, and agree upon their findings. They will want to indicate major strengths and weaknesses and develop major recommendations on which the Committee as a whole agrees. A time schedule for sending their reports to the Chairman will also be agreed upon.

The final stage in the Committee's visit is a brief conference between the chairman and the head of the institution. This is essentially a brief "thank you" meeting. The chairman may indicate to what extent the Committee had time to cover all phases of their plan and ask for any further information that the Committee should have. As this meeting almost invariably takes place before the Committee as a whole and its members individually have had opportunity to reflect upon their visit, the chairman will not be in a position to discuss findings except to clarify certain points of data. Recommendations, if any, will appear in the Examining Committee Report. As judgment in regard to accreditation is lodged in the Accrediting Commission, the chairman is not authorized to say anything implying an acceptance or rejection of the school by the Commission. At this meeting the chairman may invite comments from the school management. Committee members may accompany the chairman on this last visit if he thinks appropriate.

The Committee Report

The Committee Examining Visit and Report serves three purposes:

1. It enables the Accrediting Commission to understand and evaluate the institution seeking accreditation.

2. It helps the institution to see itself through the eyes of experienced, interested, yet detached colleagues during the examination visit.

3. It provides a permanent record and base line against which future evaluations of the institution can be reflected.

Every Committee Report Should Be:

1. Objective. The Examining Committee's first task is to assess the extent to which the institution is accomplishing its stated objectives. Personal philosophies of education, pre-conceived notions of the teachability of a field, and organization and administrative preferences should not be allowed to interfere with either the judgment or the writing.

2. Accurate and Consistent. The Report should be a factual statement of findings -- of conditions -- of the situation as observed. Unverified opinions and information should be omitted. The Report should be internally consistent. Discrepancies and and inaccurate statements reduce the institution's confidence in the Committee's work. The Report should contain no presumptive evidence or unsupported generalizations.

3. Clear. Every statement should be unmistakably clear and unambiguous both to the Commission and to the institution. Specific examples and illustrations must be given if the school is to take action upon recommendations.

4. Balanced. The chairman must see that the total Report covers all the major phases of the institution with appropriate attention to each. The review of each phase of the school's activities will afford constructive criticism of both the parts and the whole.

5. Constructive spirit. In contributing to the primary objectives of accreditation, the Committee must approach its task and write its Report sympathetically, must strive to obtain a meeting of the minds with the management of the institution, and prepare a report that will be genuinely helpful in encouraging growth and improvement. Even so, the Report should be searching and analytical. Any weaknesses that are apparent can be paralleled with suggestions for overcoming them insofar as the Committee's experience enables it to speak with reasonable confidence.

6. Succinct. While no rules on length are set up, ordinarily several pages will be required. The Report should (1) treat each significant item on the Guide to Self-Evaluation in enough detail to be useful to the school and Commission, and (2) be sufficiently condensed to avoid any appearance of wordiness. It might, but need not, follow the outline of major topics in the Guide. It should not repeat unnecessarily information contained in the Self-Evaluation Report, except as such data may be needed for documentation and illustration.

7. Accessible. Any report running longer than 8 pages probably should be indexed.

8. Submitted on time. Two typewritten copies of the Committee Report should be in the office of the Commission within three weeks after the visit.

Method of Preparation

Immediately at the end of the visit and before leaving the city, the committee will reach agreement on the findings and establish the position it wants to take on each major topic. The chairman will assign specific parts of the Report to be written by Committee members. Each member of the committee should forward one copy of his section to the chairman by the time agreed upon, with a carbon to the Executive Secretary of the Accrediting Commission, NHSC. Inasmuch as report writing can best be done while the visit is still freshly in mind, Committee members should strive to prepare their sections immediately.

The chairman will rewrite, edit, eliminate duplication, integrate the parts, and prepare the final Report. The chairman has final responsibility for content. Examining Committee members are not free to release any information from the Report which is confidential.

The chairman will prepare a prefatory summary of the Report of one page. One effective summary may be a list of observed strengths and weaknesses of the school with page references for details within the Report.

The Report should not contain any recommendations regarding accreditation to the Commission. If such recommendations seem desirable, the chairman may state the viewpoint of the Examining Committee by letter to the Secretary.

The Examining Committee is dissolved when its Report has been sent to the Secretary of the Commission. The chairman is relieved of further responsibility after the Commission has acted upon the Report, unless the Commission asks him to undertake further duties.

After the Commission has received the Committee Report, correspondence with regard to it should be addressed only to the Secretary of the Commission.

Document 6.1

Writing the Report

Write 2 copies of your findings and conclusions. This can be a letter or a memo in paragraph 1, 2, 3, etc. form. Fill out the Rating Sheet, Document 3.1.1 as appropriate and applicable and attach your written comments. When writing your report be factual and specific, not general. Spell out any "minus" features, or shortcomings you find. By the same token don't hesitate to list "plus" items, too. These serve as encouragement, as an incentive and a reward for dedicated effort. Too, be constructive in any criticism. In courses such as history, physics, electronics where progress and change are marked, even on a day-to-day basis, some dating of material is readily apparent so that here reasonable up-to-dateness is the norm, rather than copyright.

References:

For additional detailed guidance use the Accrediting Commission's Examiners' Instructions for Examiners, Document 1.1, and 3.1 the objectives and standards.

Please respect the confidential nature of this very important work to which you will give so much of your time and experience.

Forwarding of Reports

Send original copy of your report to the Chairman of your Examining Team. Send a carbon copy (or whenever possible, 15 duplicated copies) to the Executive Secretary, Accrediting Commission, National Home Study Council, 1601 - 18th Street, N.W., Washington, D.C. 20009

4/67

Document 7.1

ACCREDITING COMMISSION
National Home Study Council

HOW THE ACCREDITING COMMISSION RECEIVES, CONSIDERS, AND ACTS UPON APPLICATIONS

Each member of the Accrediting Commission receives a file which includes:

- a. Copy of the application
- b. Self-Evaluation Report
- c. Examining Committee Report; individual minority reports
- d. Subject Specialist Reports
- e. Summary of nationwide survey of federal, state and local agencies
- f. Summary of conflicts and problems relative to the school

These reports are prepared to aid the Commission in passing upon the qualifications of the school for accreditation and with the intention of being useful to the applying institution. The results of subject-course content review, reports from State Education Departments, Better Business Bureaus, Federal Trade Commission published summaries, and other sources, and relevant data from the NHSC files are brought before the Commission for consideration.

The Examining Committee Report has no official standing until the Commission has received and acted upon it. The Commission has the right to edit or alter the report for the official record after the Examining Committee has presented it.

Process of Consideration: The full Commission takes final action on every application, it does not delegate this responsibility. Whenever the Commission deems it advisable, it may request the chairman of the Examining Committee to appear before the Commission to interpret the findings.

Advisory Committees on Reports: To expedite work, the Commission Chairman may appoint an Advisory Committee of three of its members to ensure complete and thorough consideration of every application and Report.

The Advisory Committees analyze Reports, and all additional data and suggest to the Commission what action, in their judgment, is advisable with reasons therefor. Then the Commission receives both the original Reports and the Advisory Committee's findings on them, and takes what action the Commission deems appropriate.

If the Commission does not agree with the recommendation of an Advisory Committee, and the chairman of the Examining Committee concerned has not been heard, final action may be deferred until the chairman can meet with the Commission.

The Commission takes one of the following actions on each evaluation report:

1. To accredit the applicant. One or more qualifications may be added:
   - a. To request reports of progress toward correcting weaknesses noted in the Examining Committee Report or noted by the Commission.
   - b. To direct representatives to visit the institution informally, for first-hand observation and consultation, after the progress reports have been received.
2. To continue an accredited institution on the accredited list.

Document 7.1

3. To defer decision, pending:

   a. Additional evidence.
   b. Progress reports, and an informal re-examining visit following the receipt of progress reports.
   c. A statement of the school's plan for improvements and progress reports.

4. To deny accreditation to an applicant:

   The institution may request another Examining Committee visit or other evaluation when it considers itself ready but not sooner than one-year after its prior examination. Deferments and denials will be accompanied by a statement of conditions which must be met before the school may reapply or request a review of its case.

5. To drop an institution from the accredited list. No accredited school will be removed from the accredited list without a full-scale inspection by an Examining Committee unless such an examination is refused by the school.

6. To request an institution to show cause why it should not be dropped from the accredited list. This action requires:

   a. Progress reports showing correction of the weaknesses to which attention has been called, and/or
   b. Full re-evaluation at a specified time, at the discretion of the Commission

General Policies

1. The Examining Committee has discharged its responsibilities when it has made its Report to the Commission and the chairman has appeared in person upon request of the Commission. All correspondence thereafter should be directed to the Secretary of the Commission, not to the chairman or to any member of the Examining Committee.

2. The Committee may use supplementary and incidental methods of obtaining information in addition to that furnished by an Examining Committee when in its judgement such information may be helpful. Similarly the Commission may seek information on the operations of an accredited school regarding its continued compliance with accreditation standards.

3. The Commission will judge an institution upon the total picture it presents in terms of the announced purposes and objectives it seeks to serve. Superiority in some characteristics may be regarded as compensating for non-crutial and correctible weaknesses in other respects.

4. Annually the Commission will issue and distribute to the public a list of accredited schools.

5. All accredited schools will be re-examined periodically; at least every five years a complete re-examination similar to the original accrediting examination will be required.

6. Annual Reports will be required of all accredited schools.

Document 7. 1. 1

ACCREDITING COMMISSION
National Home Study Council

COMMISSION PROCEDURES FOR SCHOOL RESPONSE TO FACTUAL FINDINGS IN CHAIRMAN'S REPORT AND FOR APPEAL OF COMMISSION DECISION

I. Procedure to provide the applicant school with the findings reported in the Examining Committee Chairman's Report and to allow the school to respond to these findings.

a. Following the visit of the Examining Committee to the applicant school, the Chairman of the Examining Committee shall prepare a Chairman's Report which will be sent to the chief executive officer of the applicant school prior to its submission to the Commission. This Chairman's Report (hereinafter called Report) will fully and fairly describe the findings of the Examining Committee and will describe and comment upon the applicant school's areas of strength, on the areas needing improvement, on possible violations of the published standards and policies of the NHSC and the Accrediting Commission, and on suggested means of improvement.

b. The applicant school shall have not less than two weeks from the receipt of the Report to comment upon the factual elements of the Report and to submit any additional written materials it desires to place before the Accrediting Commission in response to the Report.

c. The applicant school shall be afforded the opportunity to make an oral presentation to the Accrediting Commission at the meeting at which the applicant school's application is to be considered. The oral presentation will be based on the Report and the written materials which the applicant school has submitted. If the applicant school desires to make the oral presentation, the school shall so request not less than ten days prior to the date of the meeting. The applicant school at its option and its expense may have the right to the presence of counsel at, and a transcript of, such oral presentation.

d. The Accrediting Commission will then evaluate the applicant school and make its decision.

e. If the Commission takes action deferring its decision on an application for accreditation or reaccreditation, such action shall be kept confidential.

II. Procedure for appeal of Commission decision to deny accreditation or reaccreditation.

In the event the Commission takes action denying accreditation or reaccreditation, or requesting the applicant to show cause why it should not be denied reaccreditation:

1. The Commission shall dispatch to the applicant school, within ten days following the action of the Commission, its written statement of findings of fact forming the basis of the action of the Commission.

2. The applicant school may appeal the action of the Commission by requesting such appeal in writing within ten days of the receipt of such written statement. If such appeal is requested, the applicant school shall file a written statement of the grounds for its appeal within two weeks after receipt of the Commission's findings.

3. The Commission shall set a date for the appeal at the earliest practicable time.

4. The applicant school at its option and expense may have the right to the presence of counsel at and a transcript of the hearing of such appeal.

5. The Commission shall keep confidential its action until the applicant school has either failed to appeal as prescribed or the Commission has completed its consideration of the applicant school's appeal.

Document 8.1

ACCREDITING COMMISSION
National Home Study Council

ACCREDITATION FEES

I. Application and Examination Fees

This schedule of Fees will apply to all schools seeking accreditation or reaccreditation, including accredited schools undergoing the five-year examination, and schools undergoing special examination directed by the Commission.

The Accrediting Commission will consider a school only if its account is paid in full.

A. Application Fee. An Application Fee of $100 will be charged schools seeking accreditation or reaccreditation. The Application Fee must accompany the Application for Accreditation (Document 2.1).

B. Visitation Fee. A Visitation Fee will be charged for the visit of the Examining Committee to the school at the rate of $200 for each committee member making the visit for each day of the examination, including travel days between separate divisions or offices of the school being examined. The amount of this Fee will depend upon the number of members on the Examining Committee and the number of days required for the visit. The size of the Examining Committee will be determined by the size of the school and the number of courses offered. Subject Specialist Examiners visiting the school and the Accrediting Commission Observer will be considered members of the Examining Committee.

A statement for the Visitation Fee will be sent to the school and payment is due before the visit is made. Following the visit any necessary adjustment will be made based on the number of examiners present.

C. Subject Specialist Fee. A Subject Specialist Fee of $200 will be charged for each Subject Specialist for each course reviewed. If the Subject Specialist visits the school the Visitation Fee will also be charged.

D. Special Examination Fee. A Special Examination Fee will be charged for the following:

1. A subcommittee visit to an accredited school.
2. A subcommittee visit to a deferred applicant school.
3. Review of new or revised courses of accredited schools submitted for evaluation and approval.

Special Examination Fees shall be reasonable, related to the cost of the service, and will not exceed the Visitation Fee.

E. Appeals. A school appealing a decision of the Commission under the procedures set forth in Document 7.1.1, Commission Procedures for School Response to Factual Findings in Chairman's Report and for Appeal of Commission Decision, will be charged the actual cost of any transcript services of the appeal proceedings which the school may elect to have.

II. Annual Accreditation Fee.

Each accredited school will pay an annual Accreditation Fee based on the total annual cash collections from home study enrollments received by the school during the preceding calendar year. This annual fee is separate from and in addition to the annual dues for membership in the National Home Study Council. This fee is to assist in meeting the expenses of accreditation such as the cost of publishing and disseminating lists of accredited schools and other informational materials, special studies, Commission expenses and office overhead.

The Accreditation Fee schedule is:

Total Cash Collections				Annual Fee
under	$50,000			$100
between	$50,000	and	$199,999	$200
between	$200,000	and	$499,999	$300
between	$500,000	and	$999,999	$400
between	$1,000,000	and	$1,499,999	$600
between	$1,500,000	and	$1,999,999	$800
above	$2,000,000			$1,000

III. Listing Fee.

The name of each accredited school and the name of each of its separately advertised divisions or courses must appear alphabetically in the Accrediting Commission's list of accredited schools (Directory). The Annual Accreditation Fee covers the listing of one name. A fee of one half of the school's Annual Accreditation Fee will be charged for each additional name listed.

1/75

Document 9.1

ANNUAL REPORT
to the
ACCREDITING COMMISSION
of the
NATIONAL HOME STUDY COUNCIL

School Name ______________________________

Report For Period Beginning ______________ and Ending ______________

The Annual Report to the Accrediting Commission covers the school's activities for its most recent calendar year (January 1 - December 31). All schools must submit this Report to the Accrediting Commission each year. This Report is accompanied by supplemental report forms, questionnaires and other requirements which must be completed and attached to this Annual Report for submission to the Accrediting Commission. All data and information are held in confidence by the Commission. Addition pages should be attached to this Report form as necessary.

I. Course Data

1. Total number courses offered ______________________

2. Most popular course (title) ______________________

3. Number of students in most popular course ______________

4. Titles of new courses* added during past year ______________

____

5. Titles of courses dropped during past year ______________

____

6. Titles of courses receiving major revisions during past year (describe extent)

____

*Accrediting Commission policy requires that before a school begins enrolling students in a new course, it must be submitted to the Commission for review by subject-matter specialists. Two separate reviews are conducted, and th Commission then acts on the reports received. All courses of accredited schools must be approved. If a new course has been added during the past year and has not been approved, please advise using this Report.

II. Enrollment Data

7. Total active students this date ____________________

8. New enrollments in past year ____________________

9. Total graduates in past year ____________________

10. Non-Start rate* ____________________%

11. Completion rate* ____________________%

12. Graduation rate* ____________________%

*These items should reflect the average percentage rates of all courses offered. Please refer to Document 4.1.1. for the Accrediting Commission instructions regarding these items.

III. Administrative and Organizational Data

13. Changes in ownership during past year* ____________________

____

14. Changes in sales and marketing policies during past year ____________________

____

15. Changes in course tuition rates*, tuition payment and collection, and methods of tuition financing during past year ____________________

____

*List old and new tuition rates for each course undergoing a tuition change last year.

16. Changes of address , changes in the physical plant, or new training sites or buildings added during past year ____________________

____

Please attach a list of chief administrative officers and faculty personnel: (List with titles such officers as executive head of the school and the chief persons in charge of education and instruction, research, advertising, sales, tuition collection, etc.). Please asterick persons new to their positions during past year.

The data submitted herewith are certified correct
to the best of my knowledge and belief.

____
Signature of Officer Making Report

____
Title

____
Date

In a class by himself

Reprinted from INDUSTRY WEEK September 28, 1970

NATIONAL HOME STUDY COUNCIL

1601 - 18th Street, N. W. WASHINGTON, D. C. 20009

In a class by himself

Correspondence courses are becoming increasingly popular as aids for climbing management ladders. They can pay off, too—if the climber picks the right school, and he really wants to climb.

"LEARN EXECUTIVE SKILLS. Just by completing our six-week management course, you can qualify for top level positions commanding starting salaries of $20,000 and up. Nerd & Zilch Correspondence School."

Ridiculous? Certainly. But similar advertisements lure a steady stream of would-be executives searching for the key to success. Many blindly pay for such courses, only to find they've bought something which couldn't possibly help them advance professionally.

Maybe their original package of course materials will include a granted-in-advance diploma — not exactly the kind that impresses employers, if any diploma does. Or maybe they'll discover that their final contact with the "school" was the mailing of the tuition check.

"Unfortunately, even though they may be few in number, the fly-by-night schools seem to get a great deal of publicity," says William M. Donovan, director-marketing services, Industrial Training Div., International Correspondence Schools (ICS), Scranton, Pa.

When an unethical school attracts publicity, a shadow is cast over all correspondence schools, an educational medium with an estimated 5 million students each year in the U. S. alone.

Nobody knows how many fly-by-night schools there are, but there's little doubt that the good schools are serving the majority of the 5 million correspondence students.

Probably more damaging than the con man who sells bogus courses or the instant-diploma outfits are the correspondence schools which fall somewhere between these frauds and the good schools.

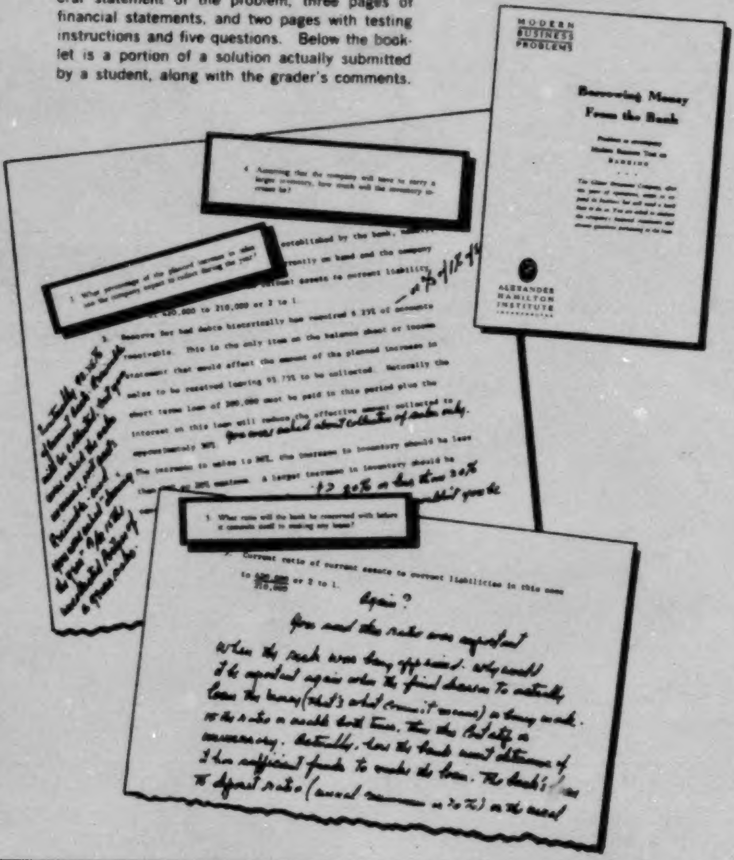
A disenchanting experience

Unlike the frauds, these schools serve the student well enough to make him think he's getting a typical course, though not well enough for him to meet his objectives. When he finishes the course, it's likely he'll be disenchanted with correspondence schools in general. Not only have they taken his money, they've made him work nonproductively.

Grading is a primary area in which these schools fall short, Mr. Donovan says. In mathematics, for instance, instructors at reputable schools will grade a problem thoroughly, while those at other schools may grade only the answer.

"We've had people who have submitted lessons to some of these other schools," Mr. Donovan says. "They've made mistakes in the method, but put

Alexander Hamilton Institute's tests come in booklet form. Inside this one is a one-page general statement of the problem, three pages of financial statements, and two pages with testing instructions and five questions. Below the booklet is a portion of a solution actually submitted by a student, along with the grader's comments.


MODERN
BUSINESS
PROBLEMS
Borrowing Money
From the Bank
BANKING
ALEXANDER
HAMILTON
INSTITUTE

established by the bank,

rently on hand and the company

current assets to current liability

420,000 to 210,000 or 2 to 1.

Current ratio of current assets to current liabilities in this case to 420,000/210,000 or 2 to 1.

Again?

down the right answer, and the papers have been graded 'correct.' "

Not-so-good schools employ other testing shortcuts, he says. "The questions may be superficial. Some of them are graded by computers. We're not opposed to that per se, but we pride ourselves on the fact that our instructors do spend a great deal of time with each individual assignment.

"They not only grade the assignment for correct methods and answers, but, if there are mistakes in English or suggestions that they want to pass along, they add that information as well."

In the mid-1920s, officials of schools providing this type of service realized that many were taking shortcuts. So they formed the National Home Study Council (NHSC) in 1926—36 years after the founding of ICS, the oldest school in the council.

In 1955 the NHSC set up an independent accrediting commission, and four years later, the commission was approved by the U. S. Office of Education as an accrediting agency.

Both the educational and business standards of schools seeking accreditation are studied by the commission, says Robert L. Taylor, administrative assistant, NHSC, Washington.

"We require that their educational materials be up-to-date and that they teach whatever the school states as its objectives," he says. "For example, there are positions for which a school might say, 'We'll teach you to be this kind of manager.' If we send the course material to a specialist in the field and he says that if you take this course you cannot learn to be that kind of manager, we would not accredit the school."

Sound finances a must

On the business side, a school must demonstrate ethics in advertising, reasonable tuition policies, and sound enough finances to be "in business long enough to serve the students."

Mr. Taylor suggests that a prospective student check a school's advertising for the NHSC seal, but he points out "there are some schools that are not accredited that are probably good." Among them is the Alexander Hamilton Institute, New York, a respected manager-training specialist. Another which undoubtedly will fall into this category is the AMA Extension Institute, just launched by the American Management Assn., New York.

There are 137 NHSC accredited schools, 11 of which teach management courses, plus a number

"I think we more than compensate for the lack of a teacher."

of schools such as Alexander Hamilton which probably would meet the standards if they sought accreditation. However, estimates run to more than 1,000 on the number of schools ranging from slightly substandard to fraudulent.

Most of these exist because changes in our society have created a market ripe for exploitation. Far more people than ever before are "having to retrain for a skill," says Mr. Taylor.

"It's not like in the past when you could learn something and then do it for the rest of your life. Now there are rapid technological changes. Many people want to move from labor to management. Often you have to learn something completely new. You can't go on your own experience."

Correspondence schools quite often are the only answer, because "most of these people just can't quit and go back to school," Mr. Taylor adds. Faced with the need for more education, job and family limitations, and a myriad of available courses, how can a prospective student be assured of making the right choice?

Selection guidelines

Mr. Donovan advises a prospective student, first of all, to have a long talk with the school's field representative "to find out what the course content is and if it meets his objectives." He also recommends "checking to see to what extent the courses may be accredited by business and industry." ICS, for instance, has about 8,500 training arrangements with corporations.

Students also should request information about the school's graduates. A reputable school will supply names of some in the prospect's own locale so that he can investigate easily.

There are several easily recognizable indications that a school may not be reputable:

- A significant difference between what's promised in the sales pitch, which isn't binding, and in the contract, which is.
- A willingness to sell the course to anyone who will buy it without an investigation of the prospective student's academic qualifications.
- Promise of a specific job or salary range upon completion of the course.
- Offer of a scholarship, which in many cases means only that the price quoted is the sum of the regular price and the amount of the scholarship.
- High pressure methods ("You'd better sign up now, because the price will go up next week").

After the poor schools have been weeded out,

NHSC accrediting standards

ACCREDITING STANDARDS of the National Home Study Council (NHSC) require that a correspondence school:

- State its educational objectives clearly.
- Offer sufficiently comprehensive, accurate, up-to-date, educationally sound instructional materials and methods to meet the announced objectives.
- Provide adequate examination services, encouragement to students, and attention to individual differences.
- Have a qualified faculty.
- Enroll only students who can be expected to benefit from the instruction.
- Maintain adequate student services.
- Show satisfactory student progress and success.
- Be honest in its advertising and promotional materials.
- Carefully select, train, and supervise its field representatives.
- Show ample financial resources to carry out long-term obligations to students.
- Charge a reasonable tuition.
- Use reasonable tuition collection methods and have a satisfactory refund policy.
- Maintain student records properly.
- Demonstrate a satisfactory period of ethical operation.

A list of schools accredited by the council's independent commission may be obtained from the NHSC office, 1601 18th St. NW, Washington, D. C. 20009.

a management course prospect still has to make some important choices.

Even the basic approaches of different reputable schools can differ greatly.

ICS offers several dozen management courses, appealing to both the laborer who wants to be a frontline supervisor and the middle manager who wants to sit in the president's chair. Courses cover the various phases of research, production, marketing, and finance.

On the other hand, Alexander Hamilton has just one two-year program composed of 24 subjects, broken down into five categories: general management, marketing, finance, accounting, and production. Student recruiting is narrower than at ICS, too:

"We're shooting essentially for a fairly high level guy," says Alfred M. Goodloe Jr., Alexander Hamilton's marketing director-new projects. "He's in the $12,000 to $15,000 bracket, and quite often he's an engineer or professional man who wants to move out of a specialty into more general management."

Texts, lessons similar

Materials offered by the good schools are similar.

"Each book is written by a prominent authority in the field," Mr. Goodloe says. "Usually we have professors at various universities writing these books . . . The textbook covers the fundamentals and principles in the field and some of the applications.

"We follow that up with a case problem. The student writes out a solution to the problem and returns it to us.

"We grade it and comment on it, then return it along with a model solution which he can compare with his own."

Texts for correspondence schools have been received favorably when used elsewhere. Mr. Donovan comments, "When I taught at the University of Scranton Evening Div. I taught as much from the ICS texts as I did from the texts that were assigned to me."

Many schools augment the textbooks and case problems with their own special features such as a "lecture" which accompanies each Alexander Hamilton text. "It's a written lecture," Mr. Goodloe explains, "and it's written by a prominent businessman . . . The lecture is designed to give the man an overview of the field, to whet his appetite

"Most of these people just can't quit and go back to school."

for some of the problems he's going to be studying."

One school with different materials and an unusual concept of testing is Management Games Institute (MGI), Larchmont, N. Y. Its 12-week course simulates a year in the life of a corporation.

Instead of presenting financial theory, the text concerns only the student's "corporation." Supplementary material offers guidelines for various operations. As a student plays the game with his "corporation," MGI reviews his progress for each simulated two-month period. Success in the course is measured by the profit-and-loss statement.

Some schools go beyond course work in serving students. Alexander Hamilton advises its subscribers on investments, personal finance, and professional problems. It also publishes weekly bulletins on management principles and investments and monthly newsletters on personal management, business progress of its students, and taxes.

Classroom isn't perfect

Despite the thoroughness of materials, grading procedures, and extra services, many people have a tendency to steer clear of correspondence schools because they have become conditioned to traditional methods. They can't disassociate the learning process from teachers and classrooms.

"I think we more than compensate for the lack of a teacher," Mr. Donovan says. "Let's face it—the average teacher has to teach to the slowest one in the class. I'm not making a case against resident education. I'm just speaking about some of the problems a teacher has.

"A teacher has to determine a certain level at which he's going to teach, and he's going to lose some people in the process. If the level is too high, he's going to lose the slower people. And if it's too low, he's going to bore the brighter students.

"With independent home study, the student moves ahead at his own pace. Some students may bone up, study 4 hours a night, and get their diplomas very quickly. Other students may be able to spare only half an hour a night.

"I don't think the fact that there's not a teacher there physically makes that much difference, because the instructor stays with the student every step of the way. We find that in some cases a very close rapport develops between the instructor and the student, even though there may be a physical distance of 3,000 miles."

Mr. Goodloe believes Alexander Hamilton's extra services help to bring students closer to the school, and subscribers frequently are encouraged to make more use of the services available.

"Instead of waiting for a man to do something," Mr. Goodloe explains, "we contact him and say, 'We'd like to make this relationship stronger . . . here are some things we can do for you . . . if you have problems in these areas and want to talk to us about them, do so.'

"We are very conscious of the fact that these programs can be rather lonely affairs unless we take the initiative to make them more personal."

Good materials, thorough grading, and rapport with instructors are important, but even more important to almost all correspondence school students are the results—increased professional stature and income, they hope.

Statistics indicate success

Do correspondence courses do the job in this respect? Both ICS and Alexander Hamilton offer impressive statistics to show that they do.

"According to a survey we made about five years ago," ICS's Mr. Donovan says, "we played a part in the training of one out of every 14 presidents and board chairmen in the U. S."

An Alexander Hamilton brochure lists 18 prominent graduates, including six chairmen and seven presidents. It gives an occupational classification breakdown of the school's subscribers with 66,550 in the "presidents and business heads" category.

One MGI student sent in a report, saying that the course "helped me to better understand the financial aspects of my company. Sorry my report was late, but I was just made manager of my department."

Although achievement of success can be aided by a correspondence course, the key is student self-discipline. With no teacher standing over him and no classroom to confine him, the student has nothing between himself and diversions.

"When he enters into a study program," Mr. Goodloe says, "a student has to make a commitment about time, and anything that competes for a man's time is a problem."

Thus, he continues, a correspondence school's primary selling job is "to convince a man that his time should be spent in study and self-improvement and perhaps should be focused toward a distant goal rather than something that's here and now." □

Copyright 1970 by The Penton Publishing Co., Cleveland, Ohio 44113

Mr. Brademas. Thank you very much.

Mr. Fowler. I will be happy to answer questions.

Mr. Brademas. I will just put to you some requests for the various pieces of information and then I have one question for you. One of my requests may replied to by that material.

Mr. Brademas. Second, I am going to rattle off some requests for information and not ask you to reply at this time but in writing if you would be kind enough.

One: What proportion of home study enrollment is made up in this country by (*a*) Advanced Schools, (*b*) Bell & Howell, and (*c*) Montgomery Ward?

Second: What is the annual dollar volume of guaranteed loans made by each of examples I have just given?

And also with respect to each of these examples, the number of students who are receiving guaranteed loans.

Third: The percentage of total enrollment in these three enterprises, who are utilizing guaranteed student loans?

Mr. Fowler. This information is for the three schools only?

Mr. Brademas. That is correct.

Mr. Fowler. All right, we will be happy to do what we can to get this information. Interestingly, we tried to get some of this before we appeared before you today and had gone to the Office of Education to try to get some of it also and had had difficulty because there was a question of, well, for instance, Bell & Howell has resident and home study students and there is a mix there. We will do what we can.

Mr. Brademas. I have two other aspects of the same question with respect to the same three enterprises. I am interested in, and one is a breakdown both with respect to dollar volume and with respect to number of students of the mix as between loans, guaranteed loans, that is, made by the institution and by financial institutions such as a bank.

Mr. Fowler. You mean the school acting as a lender?

Mr. Brademas. That is right. Then I would like also to ask you if you could give use, with respect to each of these three enterprises and the schools, the mix of guaranteed loans and G.I. bill.

[The following letter and table are submitted:]

NATIONAL HOME STUDY COUNCIL,
Washington, D.C., April 30, 1975.

Hon. JAMES G. O'HARA,
U.S. House of Representatives,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: When I appeared before your Subcommittee on Postsecondary Education on March 24, 1975, Congressman Brademas asked that we provide additional data on three home study schools which are participating in the Guaranteed Student Loan Program. We have made every effort to gather this information and the available information is enclosed.

All the information requested by Congressman Brademas is provided on Bell & Howell Schools and M-W Education Corporation. Only a part of the requested data is provided on Advance Schools, Inc. since the school has advised that its record keeping is such that the nature of the finance contract at the time of enrollment is not a retained figure in the computer for long run statistical purposes. Because statistics on the number of students enrolled by private home study schools in the United States are not available, the percentage of students enrolled by these three schools is an estimated figure.

We are pleased to provide this information in response to your Committee's request. If you, or other committee members or members of your staff have questions or would like to discuss the information provided or other matters related to our testimony, please call. I assure you of our full cooperation.

Sincerely yours,

William A. Fowler,
Executive Director.

Enclosure.

HOME STUDY SCHOOL PARTICIPATION IN FEDERAL ASSISTANCE PROGRAMS

	Advance Schools, Inc.		Bell & Howell schools		M-W Education Corp.	
	1973	1974	1973	1974	1973	1974
Percent of enrollments of all home study schools	[1] 6.5	[1] 7.2	[1] 5.7	[1] 6.4	[1] 4.2	[1] 4.2
Dollar volume of GSLP loans	[1] $63,093,000	[1] $64,917,000	$53,704,000	$45,337,000	$16,273,495	$21,564,444
Number of students with GSLP financing	[1] 76,200	[1] 78,402	42,462	29,522	25,411	28,710
Percent of students with GSLP loans	NA	NA	62	42	50.6	62.4
Percent of students with both GSLP and VA benefits	NA	NA	41.7	27.1	46.3	50.1
Percent of students with VA benefits only	NA	NA	31.2	51.1	44.2	33.1
Percent of students with GSLP only	NA	NA	20.3	14.9	4.3	12.3
Percent of students with neither GSLP or VA benefits	[1] 1	[1] 1	6.8	6.9	5.2	4.5
Percent of GSLP loans provided by school as lender	(2)	(2)	100	[3] 51	100	100

[1] Estimated.
[2] Not provided.
[3] Remaining 49 percent provided by Bell & Howell Bank.

Mr. Brademas. The question then that I have goes back to page 6 of your statement, item 5, in which you allude to the major provisions of the special standards developed by NHSC.

You note that:

> Default claims to the Federal Government under the guarantee provision may be made only for amount of unpaid principal balance determined under the terms of the school's Cancellation and Settlement Policy, less that school's established percentage of uncollectable value for non-loan student contracts.

My question is this. What happens when a school sells a loan note to another institution such as, for example, a bank? Does the restriction that is represented by item 5 which I have just read travel along with that?

Mr. Fowler. Yes, because a school cannot give up its responsibilities under the standard to the students in terms of refund or to the accrediting commission in terms of the claims made. If the loan was made by the school, it is the lender, and whatever happens to the loan paper the responsibilities remain for the school to be sure no claim is submitted.

Mr. Brademas. Have you ever taken a sanction against a school that did not meet that stipulation?

Mr. Fowler. I believe we have in two or three instances. In every case the schools have lost accreditation and I believe are not in business now. In two other cases, the process is going on.

Mr. Brademas. You can see there is an opportunity for very serious trouble in abusing it.

Mr. Fowler. Certainly. As I mentioned, this is the reason the standards were adopted, because we anticipated there could be abuses.

Mr. Ehrlich. This is one thing we check on at regular intervals, the accrediting group wants to make sure schools are in compliance. These have been public standards and are published and apparently not only the schools but the public is aware of them.

Mr. Brademas. I must say, gentlemen, I would be glad if you would be willing to take further questions in writing that we may have on this particular item.

Mr. Ehrlich. Yes.

Mr. Brademas. Mr. Eshleman.

Mr. Eshleman. Thank you, Mr. Chairman. Mr. Fowler, I first ask you to turn to page 5 of your testimony At the start of the second paragraph, "Home study students have also been eligible for other Federal assistance programs such as BEOG grants," is that true?

Mr. Fowler. The students are eligible but there has been no funding of these programs for half-time students, so no students have received any of this assistance, but the institutions and the students are eligible, that is correct.

Mr. Eshleman. Do you mean, in other words, that it has been authorized but not funded?

Mr. Fowler. That is correct.

Mr. Eshleman. You may be right, but that is news to me. I thought it was not even authorized. I know we can't fund everything that has been authorized, but I didn't think these BEOG grants were even authorized.

Mr. Fowler. It is our understanding that home study students are eligible.

Mr. Erlich. They are so covered in the regulations.

Mr. Eshleman. What is your guesstimate of the percentage of correspondence schools that you represent or are members of your organization?

Mr. Fowler. If you are talking about private schools of the nonreligious type and nonindustry type, we represent about 75 out of maybe 500 or 600. The number of students these 75 schools enrolled represents probably 80 percent of the total students enrolled.

Mr. Ehrlich. We are talking about the programs, though, since the schools must be accredited, the only schools in the programs are schools accredited by our accrediting agency.

Mr. Eshleman. Now, we have had various forms of Federal student assistance from 1965 to 1975, for a decade, and how many audits have your schools received in this last 10 years, either private or by Federal Government, either one or the other?

Mr. Fowler. I couldn't begin to guess.

Mr. Eshleman. Have they ever been audited, and who audits them?

Mr. Fowler. The accrediting commission, before granting accreditation, as a continuing process, demands a review of their financial statement and, beginning next year, it will be a certified audit for each school. Probably over half of the schools have certified audits through this time and beginning next year they all will.

Mr. **Eshleman**. You mean they get them on their own?

Mr. **Fowler**. If they want accreditation, that is correct and part of the accrediting process is review of the financial statement.

Mr. **Eshleman**. Are you using interchangably the words review and audit because to me it is two different things?

Mr. **Fowler**. Review, in terms of accreditation is a periodic review of all of the standards.

Mr. **Eshleman**. Would you call it an audit?

Mr. **Fowler**. Well, if you are talking about an audit prepared by a certified public accountant and certified, then probably 40 percent of our schools have that kind of audit. If you are talking about an audit in terms of a thorough review of the financial condition of the school by an examining committee, then all accredited schools have that.

When you are talking about Federal audits, I think every school that has participated in the loan program to any extent has been audited by HEW and I am not talking in terms of a financial audit only, but in terms of student records and the way they keep them, and so on. The Veterans' Administration audits every school participating in the GI bill, so that every school that has loan program students and veterans has been audited by a Federal agency sometime in the past year, I would say.

Mr. **Eshleman**. Mrs. Smith, would you have any questions?

Mrs. **Smith**. I would like to ask about the average length of time for a home study course?

Mr. **Fowler**. Mrs. Smith, that is awfully difficult to say. For a student participating with a loan, the course cannot be completed within an average time of less than 6 months. However, if you are talking about all of our schools, we have schools that have short courses that some students complete in 3 months and we have long programs such as accounting that some students take as long as 3 to 4 years to complete.

So I really can't answer that question very specifically other than to say we have a very broad degree, latitude, variety of courses and they range all the way from 3 months to 4 years or more. Also you have to think about the amount of time the student has to devote to studies. Some students can complete a 3-year program in 8 or 10 months and others take 5 years to do it.

Mrs. **Smith**. Could you tell me, Mr. Fowler, what percent of those who start a course complete their course?

Mr. **Fowler**. My answer, again, Mrs. Smith, would have to be the same. Some of the courses have a high completion statistic and we have one in Chicago that enrolls people working in a field or planning to enter the field and have assurances that they can, and the completions in that school run about 88 percent.

The number of students of that 88 percent who complete and pass the certification examination that this association has, runs about 95 percent. That is on the high side.

On the low side, a long involved difficult program that would be the equivalent of 3 or more years, may have completions that range about 20 percent and the rest fall in between.

I wouldn't even want to say what an average completion statistic is, but in talking about graduations I would say somewhat less than half of the students who start, graduate.

If you are talking about the percentage of lessons completed, that they could complete, maybe somewhere between 60 and 70 percent, with the understanding we are talking about so many kinds of students and courses so long, and so short, and so on.

Mrs. SMITH. Could you give me an example of the cost to a student and also explain who no State guarantees the cost to a student?

Mr. FOWLER. You are talking about loan program students?

Mrs. SMITH. Yes; I know you mentioned it two or three places in your statement.

Mr. FOWLER. Yes; the variety of courses bring together a variety of costs. Some schools have programs that range in the $200 to $250 range. Others, with equipment and kits of various kinds that the students use in their instructions, the cost may range as high as $1,700. The others fall in between.

A student, based on the standards we have, must make a downpayment to be considered a student if he enrolls under the loan program. He can only be charged the cash price, not a term payment price, so he gets the benefit of the loan in terms of the cash price. But the range is anywhere from $200 to $1,700 depending on the course and the school.

The second part of your question on the State loan agencies, I will have to refer to Mr. Ehrlich because he is more familiar with that than I am.

Mr. EHRLICH. We check with State agencies and most of them say they don't know enough about home study and have been most reluctant to go into the field. In fact, many were most reluctant to take on any proprietary schools of any kind and ever more reluctant to take on home study because they don't know about home study and are concerned about going into fields where they have no background.

Mrs. SMITH. Thank you, Mr. Fowler and Mr. Ehrlich.

Mr. ESHLEMAN. Do either of you gentlemen care to add anything else?

Mr. FOWLER. No; other than to say we will get the material and information as best we can that the chairman requested.

Mr. ESHLEMAN. Our counsel will be in touch with you.

Mr. FOWLER. We will be happy to answer any written questions.

Mr. ESHLEMAN. Thank you for appearing here.

[Statement of Bell and Howell Schools follows:]

STATEMENT OF BELL & HOWELL SCHOOLS

INTRODUCTION

Bell & Howell Schools is pleased to present our views on the Student Financial Aid Act of 1975. H.R. 3471 proposes a restructuring and redirection of federal involvement in the area of student financial aid, primarily in an effort to correct problems which have arisen in the Federally Insured Student Loan Program. Unfortunately, the scope of the Bill indicates a resignation to the insolubility of the problems presented in that it proposes what is tantamount to a totally new program. Bell & Howell Schools shares the sponsor's concerns with and recognition of the problems and difficulties is the present structure of student financial aid. Indeed, we support, favor and encourage legislation *directed toward solutions* of the specific problems involved. We do not believe, however, that the problems presented, which may be inherent in any program of financial aid to students, are insoluble calling for such sweeping and drastic alterations in the structure of the programs. In fact, it should be noted that since the passage of the Higher Education Act of 1965 there have been no major legislative attempts to find solutions for the problems with which we are all now concerned and which surely existed prior to this time. (The 1972 amendments to the Higher Education Act of 1965 did little in the area of improving the fiscal integrity of the FISL Program.) Only in 1975 has a comprehensive regulatory effort, directed toward assurance of fiscal responsibility in the program, been attempted. Such an effort is embodied in the new Office of Education regulations pertaining to the Guaranteed Student Loan Program.

We will address our comments herein primarily to the proposed amendments affecting the FISL Program, for while extensive amendments are proposed to other programs, we would interpret these other amendments to be simply supportive of and ancillary to the major thrust of the proposed legislation toward the loan program.

However, before proceeding to address specifically the Bill itself, we believe it would be both helpful and appropriate to briefly describe Bell & Howell Schools and thus demonstrate our vital concern and interest in the pending legislation.

BELL & HOWELL SCHOOLS

Bell & Howell Schools is in a particularly unique position to comment on the pending legislation since it is a leader in both resident home study electronics training. Bell & Howell resident schools are located in seven cities: Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Phoenix, Arizona; Woodbridge, New Jersey; Columbus, Ohio; and Kansas City, Missouri and have a total present enrollment of in excess of 10,000 students. Additionally, over 100,000 students further their educations in their own homes throughout the country through enrollment in one of Bell & Howell's four home study programs.

The resident schools offer a six quarter electronics technician program, a nine quarter associate degree program in electronics engineering technology and a twelve quarter bachelor's degree program in electronics engineering technology. The number of students enrolled in each program are about evenly divided between the technicians program and the two more advanced programs. Practical job oriented training is stressed in all resident programs and Bell & Howell Schools placement assistance service is highly successful in placing graduates in jobs for which they were trained. (Over 90% of those requesting placement assistance are placed within 90 days of graduation.) The degree programs are recognized and accredited by the Engineers Council for Professional Development (ECPD). This is an organization sponsored by participating bodies of engineering societies with the purpose of promoting excellence in engineering education. ECPD accredits engineering and engineering technology curricula in public and private institutions of higher education throughout the United States. All seven resident schools are also accredited by the National Association of Trade and Technical Schools (NATTS).

Home study programs include the same basic electronics theory training as is given in the resident technician (six quarter) program, but specializes in only one, instead of all three, of the advanced electronics fields (industrial, communications, and home entertainment). The average time for completion of a Bell & Howell home study program is approximately eighteen months and requires approximately 1100 hours of study. Home study graduates are eligible to transfer into the resident school technician program with three to four quarters credit depending on their program. All home study programs offered by Bell & Howell Schools are accredited by the National Home Study Council (NHSC). The National Home Study Council, as well as ECPD and NATTS, is an official accrediting organization recognized by the United States Office of Education.

STUDENT PROFILES

Bell & Howell resident school students are predominantly young men entering vocational school immediately after high school. They are primarily those students who probably would not have received any post-secondary education in past generations, are typically not from the top quarter of their high school class, and a substantial number (but less than a majority) are from minority group backgrounds. These students are pragmatic and vocationally oriented. Personal interest and the desire for a good paying job are prime motivations in their decision to enroll. The following statistics are taken from a Bell & Howell survey of 6,855 active resident students during late 1974 and provide a profile of the Bell & Howell resident school population.

	Percent
Age:	
18 or under	29.3
19 to 21	50.7
22 to 25	11.9
Over 25	6.8
Sex:	
Male	93.6
Female	5.2
Education:	
Less than 12 years	5.1
12 years	80.7
More than 12 years	13.4
Martial status:	
Married	12.4
Single	87.6
Estimated annual family income:	
Less than $3,000	6.5
$3,000 to $5,999	8.8
$6,000 to $7,999	8.3
$8,000 to $9,999	9.5
$10,000 to $12,499	15.4
$12,500 to $14,999	13.9
$15,000 to $19,999	14.0
$20,000 to $24,999	5.9
$25,000 to $29,999	2.8
$30,000 to $34,999	1.5
$35,000 to $39,999	.8
$40,000 or more	3.0
No response	9.7

The typical Bell & Howell home study student is married, approximately 30 years of age, has completed high school (nearly half have attended college) and is employed earning approximately $11,000 per year. These individuals enroll in the program for a variety of motivations and with a variety of objectives. Not all home study students enroll in a course for job placement or even promotion in their present occupation. However, a recent survey of Bell & Howell home study graduates indicates that at least seven out of every eight graduates surveyed stated that they enrolled in the home study program for at least one reason that was related to their jobs. In general, home study students can be characterized as individuals who have both the desire and need to further their education but who find it impossible or inconvenient to attend a resident school, usually because of the necessity to maintain full time employment.

EDUCATIONAL EXPENSE

All Bell & Howell resident schools and the Bell & Howell Schools home study school are eligible institutions under the Federally Insured Student Loan Program. In order to furnish a constant stable source of founds for eligible students who are otherwise unable to obtain loans from commercial lending institutions, Bell & Howell Schools, Inc. and Bell & Howell Industrial Bank, a wholly owned subsidiary of Bell & Howell Company, are eligible lenders under the Federally Insured Student Loan Program. All Bell & Howell programs are, of course, approved by the appropriate state approval agency for veterans benefits.

At Bell & Howell resident schools the packaging of financial assistance is given careful consideration and is tailored to the individual student's financial needs. A recent survey conducted in December of 1974 of our resident school students showed the following estimates of total expenses including books, tuition, fees, room and board and other necessary educational and living expenses, and the percentage support received from each source of financing for the total resident school population.

	Percent
Savings and earnings	37.0
Governments loans (tuition and books only)	34.0
Veterans benefits	11.0
Basic educational opportunity grant	5.0
Supplementary educational opportunity grant	1.0
All other (parents, scholarships, etc.)	12.0
Total	100.0

Because the Bell & Howell resident student population is derived primarily from middle to low income families, many of whom already have substantial burdens on their financial resources, we strongly encourage students to take part time jobs, and provide substantial and highly successful help in obtaining such employment.

Approximately 80% of all resident students have such jobs and 71% work more than 20 hours per week. Thus, the typical student is carrying a load of 20 to 25 hours of class instruction a week, more than 20 hours per week of work, plus homework. This emphasis on part time employment is not only to ease the financial burden of the student, but also is an attempt to minimize the need for federal financial aid. Bell & Howell Schools also awards scholarships to students in its resident programs and in 1974 alone, 60 full tuition scholarships valued at over $380,000 were awarded for the 12 quarter bachelor program.

In our home study programs financial assistance in the form of government insured loans is kept to a minimum. Until this year, the only federal assistance available to home study students, other than veterans benefits, was the Guaranteed Student Loan Program. In order to conserve our FISL resources for those most in need, it is Bell & Howell Schools present policy to only lend money under the FISL program to those home study students who qualify for interest benefits (i.e., a family income of less than $15,000 a year). Only about 40% of our home study students are presently being enrolled under the Federally Insured Student Loan Program. The balance of the home study student population finances its education through a normal consumer credit transaction which is carried by Bell & Howell Schools. Many of our students, of course, are eligible for veterans benefits.

While the above is by no means an exhaustive description of what we are, it is hoped that by laying this brief foundation our specific comments directed to portions of the legislation will be considered and meaningful.

PHASE-OUT OF FEDERALLY INSURED STUDENT LOAN PROGRAM

The Bill proposes to phase-out, by 1984, the Federally Insured Student Loan Program. This Program is to be replaced by a Guaranteed Student Loan Program which is to be administered by the states. This phase-out is premised upon two considerations. First, the state guarantee agencies presently in existence have, apparently, historically had lower default rates than those experienced by the Office of Education and by reason of this fact, the states will be better able to administer the student loan program than the Office of Education. Secondly, the present structure of student financing is too heavily dependent upon loans and such a dependence is socially undesirable in that those least able to afford a heavy burden of debt for their education are precisely those upon whom this burden is placed and a high default rate reinforces a pattern of fiscal irresponsibility.

Inherent in the first premise are the assumptions that the states will willingly assume the administration of a student loan program which is reinsured by the federal government and that upon such an assumption of responsibility by the state the program will function more efficiently. We do not believe that there is any indication that the state legislatures would be willing to assume the burden of the administration of a program of student loans. Indeed, the evidence would indicate the contrary. State guarantee agencies have been authorized for approximately ten years. In that time, almost half of the states have seen fit not to establish such agencies. It is not inconceivable that some states might elect not to participate in a student loan program as conceived by the present Bill. Such a negative election would have the effect of denying substantial numbers of persons the benefits of this particular federal program.

With regard to the presumed lower default rates to be attained by each state administering its own program, we would suggest that the present low default rates being experienced by the state programs are largely related to the population receiving loans under these programs as opposed to the administrative excellence of the states. The replacement of one administrative body with 50, each with its own peculiar set of regulations, can only result in increased costs, an administrative nightmare for institutions whose student body is not entirely drawn from the state in which the institution is located, more errors and an increase in tuition which is passed on to the student or the taxpayer.

The second premise on which the elimination of the FISL Program is bottomed is that there is presently an over-emphasis in student financial aid on loans and that such over-emphasis has the undesirable social effects mentioned above. To satisfy this premise, the Bill proposes an increased program of grants and work. However, the Bill in its present form would cut back to $600 a year from $1400 per year the maximum Basic Educational Opportunity Grant and continue to fund the BEOG Program with the residue of appropriations after all other programs have been funded. Financial deficiencies resulting from an under-funding or dilution of the basic grant program will be made up by supplementary grants. But, entitlement to supplementary grants under the proposed Bill is apparently to be determined solely on the basis of academic excellence, assuming that the student has shown a financial need and received a basic grant. While we would favor an increase in the grant program, the student financial aid package as conceived by the Bill would have a variety of unintended adverse effects.

Enrollment at low cost, public institutions would be encouraged and said schools would grow, perhaps to the point of over-crowding and certainly to the point of putting a strain on the state's educational financial resources. Enrollments at other schools, particularly higher cost private schools, would decline. This decline would be hastened both because of the change in enrollment patterns and the financial strain of additional institutional student aid required of these already financially beleaguered institutions.

Institutions of higher education will become more stratified in terms of student enrollment (by income, race and other socio-economic variables). Low income Students will be forced to attend low cost public schools close to home. This will probably decrease the number of students attending institutions of higher education altogether since such schools are not universally available, even though the present Bill must assume universal availability, or that such schools will be built to serve these students.

Recent studies indicate that nearly three-fifths of the population does not live near (within 45 minutes) a free access college.

Middle income students will have less flexibility in choosing a college since they will have to rely primarily on parental contributions and work. They, under the proposed Bill, would be ineligible for grants and funds for loans would diminish. This would restrict these students' options in attending higher cost private schools and mean that they will spend more hours working than under a system where more loan funds are available. Thus, the financial configuration conceived by the Bill would probably decrease attendance at post-secondary educational institutions by middle income and lower income students.

Finally, the proposed financial package is not cost efficient for either the government or the taxpayer. Since loans are a highly leveraged form of financial aid, they provide many more absolute dollars to be spent on post-secondary education than the same dollars put into non-leveraged grant and work study funding. That is to say, loans constitute a revolving fund, albeit depletable through defaults, whereas grant and work study programs constitute a fund in which dollars are constantly flowing out, but there is not even a partial inflow of dollars. This is even more true when compared to providing institutional support since much of the benefit of low tuition goes to students who could and would afford to go without this subsidy. Further, the forced shift proposed by the Bill to low cost public institutions would probably increase the drain on actual societal economic resources. These schools are simply supported by local tax dollars instead of student tuition. Local tax structures are often regressive. To encourage their use at the expense of alternative forms of education merely shifts the tax burden from federal student aid to local institutional support. Any framework which promotes such a shift would tend to widen the discrepancies which already exist in educational opportunities by geographic area.

In conclusion, we believe that the basic present system of student finance is sound and does not warrant the sweeping alterations proposed by the Bill. The phase out of the FISL Program together with the drastic alterations to all other programs appear to be an unfortunate over-reaction to but one problem in the complex matrix of student financial aid, defaults. We feel that other pending legislation and regulatory efforts from which less adverse consequences would flow should be carefully considered prior to any totally new programs.

VIABILITY OF THE STUDENT LOAN PROGRAM AS PROPOSED

The Bill does propose to continue a limited program of federally sponsored state guaranteed student loans but, other provisions of the Bill would probably greatly dilute this effort. The most important provision in this regard is the elimination of eligible institutions as eligible lenders. The reason given for this particular elimination is a growing confusion of roles between colleges and universities and financial institutions, coupled with a desire to return functions to institutions which have traditionally carried out these functions. In other words, colleges and universities should not be in the business of lending money to people and banks should not be in the business of teaching things to people. We do not believe that this analysis adequately addresses itself to the complex business of making Federally Insured Student Loans.

No one will deny that problems exist in our present system of financial aid. However, eligible school lenders on the whole become well versed in financial aid methods available to their particular students. Financial aid departments of eligible institutions acting as lenders are relatively sophisticated and have grown knowledgable over the years through their experience in meeting the rising costs of post- secondary education. Largely by reason of these rapidly inflating costs, the number and complexity of the programs of financial aid have proliferated to the extent that only one dealing with such programs on an ongoing basis can meet the student's needs. The lending educational institution constitutes a source of funds less affected by the vagueries of the money market which is essential to the maintenance of the high degree of efficiency in schools acting as lenders. Further, and perhaps most important because of the close continuous contact between the institution and student, collections by lending institutions are facilitated.

It is our understanding and experience that most non-school lenders, by contrast, have shown relatively little interest in activity in the FISL Program and, contrary to the premises of the pending legislation, are simply *not* accustomed to lending money in the complex manner prescribed by the Federally Insured Student Loan Program. The reasons for this traditional lack of interest are essentially administrative and financial.

FISL loans, unlike ordinary commercial loans necessitate the establishment of a separate administrative department specially trained in the complex procedures involved in the program. The paperwork and reporting requirements on loans outstanding required by the federal government are by any standards voluminous and it is questionable whether a commercial lending institution could justify such an administrative burden producing such a low interest yield. The close coordination required between school and lender is frequently nonexistent resulting not only in confusion of the two parties involved but also on the part of the student himself as to his relationship with these parties and his exact loan obligation. Finally, contrary to popular notion, commercial lending institutions simply do not maintain efficient collection staffs to cope with increasing student mobility and thus collection efforts are frustrated.

Financially, FISL loans have, during many periods, been exceedingly unattractive to commercial lenders. The notes are virtually nonnegotiable, carry a yield which in recent years has been unacceptable and have an extremely long life before repayment of principal begins. While it is true that most commercial lending institutions seek to have as broadly a based loan portfolio as is feasible, this simply means that the availability of student loans from commercial lending institutions tends to expand and contract with the money market. We would suggest that it is socially undesirable to subject society's educational objectives to the vagueries of the economy.

Since the proposed Bill addresses itself to only one, the interest rate, of the multitude of problems which have existed with commercial lending institutions making FISL loans, there is no reason to believe that these institutions will demonstrate any increased interest in the program by reason of the Bill.

The second major concern demonstrated by the elimination of eligible institutions as lenders centers around the default rate on Federally Insured Student Loans. Defaults on Federally Insured Students Loans are indeed a problem calling for constructive solutions, but testimony before the Senate Sub-Committee on Education and a recent report issued by the College Entrance Examination Board indicate that the default rate is related more to the socio-economic profile of the student borrower rather than the class of lender. It is suggested that the relationship between default rate and institutional lenders is logically only incidental in that those institutions having high default rates are those who serve primarily low income students. These students are precisely those individuals who are traditionally turned away from commercial lending institutions, but who need financial assistance the greatest and have both the desire and need to further their education.

In conclusion, it is difficult to see how the elimination of eligible institutions as eligible lenders can have any positive effect. It is, however, plain that the negative effect of drying up a source of educational dollars is inevitable.

EXCLUSION OF CORRESPONDENCE SCHOOLS FROM FEDERAL PROGRAMS

The Bill would exclude correspondence schools from participation in all federal programs with the exception of the loan program. Participation, however, in the loan program would be limited to students who are physically infirmed or are prohibited by distance from attending a resident institution. The basis of this exclusion is two-fold. First, the default rate among correspondence schools is inordinately high with regard to Federally Insured Student Loans. Secondly, those who are already working full time should not be eligible for or in need of financial aid.

Taking the second reason first, it would seem that the student instead of the delivery system is the target of this particular exclusionary. Put in this context the rationale underlying the exclusion tends to break down. Indeed, the average Bell & Howell Schools home study student described in Part II above would seem to be the very class of persons which the Federally Insured Student Loan Program was designed to assist. By comparing and contrasting a typical home study student with his or her counterpart in traditional education, an even better-focused picture of the inherent discrepancies in this logic can be viewed.

First the home study student typically has a home and a family for which to provide. The decision to set aside study time to advance his or her vocational pursuits is generally a matter of economic necessity, not of casual choice, and selection of home study is likewise frequently dictated by the inability to forego full time employment. The traditional college student, by contrast, has less direction and certainly less immediate motivation. More commonly he or she is single and is at college to be exposed to curricula which will lead to a field of interest and hopefully a major area of study. Because the student typically is young and single, a great portion of the advantages gained from post-secondary education are social in nature. And there are no family responsibilities which would result in increased financial pressure. In other words, there is a less immediate need to make education pay.

Secondly, the home study delivery system offers a valuable second chance to those who were not successful in traditional education, who failed or did poorly in the highly structured, competitive world of the classroom. These students, when older and burdened with additional responsibilities, are even less likely to succeed in traditional education systems which only threaten once again to expose the same disabilities. In the privacy of one's home, the home study student can work at his or her own pace, repeat lessons he or she feels unsure of and study at times when one feels most productive. Most importantly, the student can learn without foregoing his full time salary.

Realizing the needs of our students, Bell & Howell Schools offers toll-free WATS lines for educational inquiries and also Help Sessions are held at focal points so students may come in and meet their instructors, conduct experiments, and clear up educational inquiries. This exemplifies the adaptability and individuality in home study as opposed to the more strict dictates of traditional classrooms. But above all, the freedom to pick and choose the kind of education which the student thinks is best suited to his or her needs is maintained. The sponsor of the Bill himself has stated that a student's own perception of his need to work to pay the costs of his education are a more sensitive and a more accurate indicator of true needs than the more sophisticated combination of questionnaire and computer. We agree with the sponsor and we would suggest that the national interest can best be served by a variety of programs sufficient to assure competitive effectiveness.

With regard to the default rationale for the exclusion of home study from all federal programs, we would suggest that the general preconception that home study institutions are a major contributor to the default rate is at best questionable. Testimony given before the Senate Sub-Committee on Education indicates that the home study schools do not seriously affect the federal default rate and their role in the default problem is a minor one. To the extent that defaults are a problem in home study we would suggest that the reasons lie more in limited eligibility for federal programs and the confusions surrounding the definition of what constitutes a default rate, than in abuse. Home study has been associated with the FISL Programs since 1969 and since that time this was the only federal assistance, other than veterans benefits, available to home study students. By reason of this particular limitation, it was quite natural in the course of events for some home study schools to become heavily involved in the FISL Program. However, we would suggest, that any single home study institution's utilization of the FISL Program would probably pale into insignificance in relationship to any other major institution's utilization of federal dollars set aside for student financial aid derived from all programs for which these institutions are eligible.

In conclusion, there is nothing inherent in the home study delivery system itself which warrant this kind of arbitrary and discriminatory treatment.

CONCLUSION

The above presentation sets forth our reservations regarding the underlying assumptions upon which the Bill is based and our analysis of the consequences of the Bill if passed in its present form. We have not attempted herein to set forth any recommendations. This is because we believe that the concept embodied in the Bill, as opposed to any specific provisions thereof, requires reconsideration and reworking. While the absence of constructive recommendations indicates a fundamental disagreement with the redirection of federal involvement in the area of student financial aid, it does not and should not indicate a disagreement with the conceptualization of the problems embodied in the Bill. Indeed, we share the concerns manifested in the Bill and support the efforts of the Bill to accomplish a solution to the problems. It is simply the methodology of accomplishment with which we disagree. (For instance, we believe that commercial lending institutions should become more involved in the student financial aid program, but not at the expense of other lenders.) Accordingly, we would urge that careful consideration be given to other pending Bills less drastic than the one proposed and to the impact of various new proposed regulations. We have every confidence that the committee will do so and thank the committee for considering our presentation.

Mr. ESHLEMAN. Mr. Brademas will be back in a minute or two, but he had a phone call that he had to make and in the meantime I will ask Dr. Margaret Gordon of the Carnegie Council on Policy

Studies in Higher Education to come forward. I assure you Mr. Brademas will not be insulted if you start your testimony. We are running late this morning, so feel free to start.

[The statement follows:]

PREPARED STATEMENT OF MARGARET S. GORDON, ASSOCIATE DIRECTOR, CARNEGIE COUNCIL ON POLICY STUDIES IN HIGHER EDUCATION

INTRODUCTION

Mr. Chairman and Members of the Subcommittee, you will recall that I testified before you last June. At that time, my statement consisted of a summary of the recommendations of the Carnegie Commission on Higher Education, with particular reference to federal aid. Now I am representing the new Carnegie Council on Higher Education, the Commission's successor, which has recently issued its first report, *The Federal Role in Postsecondary Education: Unfinished Business, 1975-1980.*

The Council's review of Federal programs was conducted in an economic envorinment markedly different from that prevailing during the era of the Commission, 1967-1973, and even from that of last June, when I previously testified. We have conducted our study in acute recognition of the fact that the economy has been sliding into the deepest recession of the postwar period, while continuing to display an exceedingly high rate of inflation. For this reason, we do not believe that it is reasonable to expect Congress to approve sharp increases in appropriations for aid to higher education in the immediate future. We do believe, however, that there is a strong case for moving gradually toward full funding of programs to which the Federal Government is already committed, especially the Basic Educational Opportunity Grants program, and toward adequate funding of certain new or modified student aid programs that we are recommending.

Thus our general approach is to suggest gradual increases in Federal funding of these programs during the next five years, reaching full funding by fiscal year 1980. We present estimates of the costs of full funding in 1980, as well as estimates of the *net* increase in Federal expenditures involved, on the assumption that, as expenditures on veterans' educational benefits decline in the coming years, expenditures on other student aid programs should be correspondingly increased. The BEOG program should, like veterans' educational benefits, become an entitlement program, as should the State Student Incentive Grant program and a new Tuition Equalization Grants program that we propose.

Although we take a gradualist position toward full funding of student aid programs, we do so in recognition of the political facts of life. At the same time, we believe that preoccupation with the current economic crisis *should not obscure the vital need for advancing the basic human resources required for solutions to the underlying problems.* This consideration, it seems to me, is underscored if we seek to identify the major purposes for which the Federal Government assume special responsibility in relation to postsecondary education.

Historically, it is the States that have played the major role in the financing of higher education, and we believe that the States should continue to provide basic institutional support to public colleges and universities and should also expand their efforts to assist private institutions. The Federal Government, in our view, has the following special responsibilities:

1. *To promote equality of opportunity in postsecondary education.*—The Federal Government has a special obligation to overcome the inequality of opportunity that has historically prevented young people from low-income families and disadvantaged minority groups from enjoying the benefits of higher education.

2. *To promote scholarship and the advancement of knowledge through support of graduate education and research.*—Historically, the States have played a major role in the promotion of graduate education and research through the support they have provided for the development of major public research

universities. In recent decades, however, the States have displayed increasing reluctance to provide substantial support for advanced graduate education and research, probably in large part because they have come to realize that they cannot fully "capture" the benefits of such expenditures. Holders of advanced degrees tend to display high rates of interstate mobility, because the market for their talents is national. Thus states may not benefit from large sums invested in expensive education of PH.D.s and M.D.s.

Similar considerations apply to the support of research. The continued advancement of knowledge is a major national concern. It is only the occasional highly specialized research project that yields benefits exclusively for the State in which it is conducted. For the most part, the returns from the advancement of knowledge and technology benefits the entire nation and other countries as well.

3. *To attain a nationwide balance in opportunities to benefit from postsecondary education and from the advancement knowledge through equalizing opportunity among the states.*—Because of wide variations in per capita income among the States, the capacities of individual States to support higher education and research vary greatly. Thus Federal funds can be provided in ways that tend to equalize financial support among the States.

The case for a substantial share of Federal financing is also strengthened by the differences in tax structure between the Federal Government and the States:

1. The Federal tax structure is more equitable than those of State and Local governments, because a larger proportion of Federal revenue comes from the progressive income tax, and, though State and, to some extent, Local governments are increasingly adopting income taxes, they are inhibited from making those taxes very progressive for fear of encouraging wealthy residents to move to other localities;

2. Related to its progressivity is the capacity of the Federal tax structure to provide revenues that increase more rapidly than total personal income as incomes rise and income receivers move into higher tax brackets; and

3. Federal tax revenues represent nearly two-thirds of total governmental tax revenues.

For all these reasons, we believe that the Federal Government's share of total public support for postsecondary education should gradually be increased to about 50 percent, from an estimated 1974-75 share of 44.4 percent.[1]

At this point, I might explain that I am including in this statement the relevant recommendations just as they appeared in the Council's recent report on the Federal role.

Recommendation 1.—The Council recommends that the Federal Government's share of total public financial support of postsecondary education gradually be increased to 50 percent.

FALTERING PROGRESS

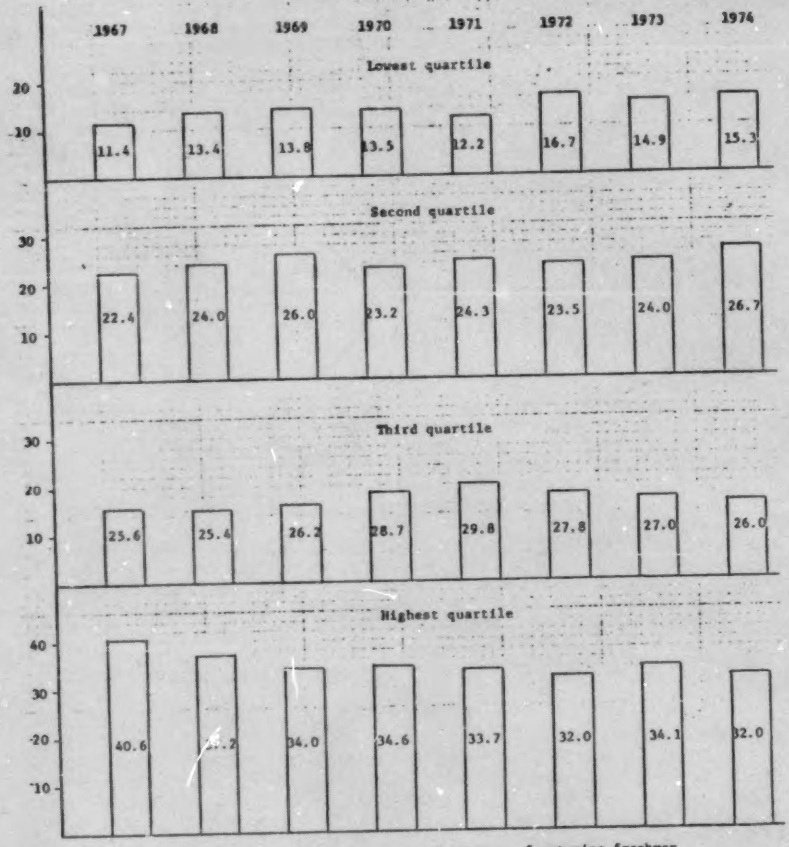
In all three areas for which the Federal Government should assume special responsibility, we find that progress has faltered in recent years. From the mid-1960s to 1972, there was a steady increase in the relative representation of students from low-income and disadvantaged minority groups in higher education. But this trend was reversed between 1972 and 1973. The proportion of entering freshmen from families in the lowest income quartile, for example, declined significantly from 1972 to 1973, and recovered only slightly in the following year (Chart 1). The proportion of blacks among entering freshmen fell off in both years.

U.S. Bureau of the Census data, however, show that the proportion of blacks among all students in degree-credit programs fell between 1972 and 1973, but recovered quite sharply in the following year. The difference between Census and ACE data is probably explained by the inclusion of all part-time and full-time degree-credit students in Census data, whereas the ACE includes only full-time freshmen.

---

[1] This estimate is based on total Federal, State, and Local expenditures. The more familiar Federal proportion, based on data relating to current-fund revenue of institutions, was about 20 percent in 1971–72.

CHART 1 Percentage of entering freshmen from each family income quartile, 1967 to 1974



SOURCE: American Council on Education: annual surveys of entering freshmen (titles vary), and U.S. Bureau of the Census: Current Population Survey, Series P-60.

Just why the decline in enrollment rates of blacks and in the relative proportion of low-income freshmen enrolled occurred between 1972 and 1973 is not entirely clear. Sharply rising costs undoubtedly played a role, but in the *New York Times* of February 3, 1974, the director of minority affairs for the College Entrance Examination Board was quoted as stating that "admission and financial aid representatives of many institutions" have been warning "that colleges and universities were backing off from their earlier determination to increase nonwhite enrollments."

Although funds were available for the Basic Educational Opportunity grant program for the first time in 1973-74, the total amount appropriated was only $122 million, and the average grant awarded in that year was only $260. In 1974-75, with $475 million available, the average grant was $690, and the program was beginning to play a more significant role. The ACE freshmen survey for the fall of 1974 showed that the most common source of financial aid for freshmen was the BEOG program, from which 25 percent of those receiving any financial aid were getting assistance, with private scholarships and State scholarships ranking second and third, respectively. Not only is there a need for much more rapid progress in achieving full funding of the BEOG program, but there is also a need for many modifications and improvements in other student assistance programs if we are to resume satisfactory progress toward equality of opportunity in postsecondary education.

Turning to *support of research and graduate education*, the leveling off of Federal funds for research since 1968, and the sharp cutback in graduate fellowships and traineeships, could, we believe, have disastrous long-run consequences for the advancement of knowledge. I realize that these hearings are focused on undergraduate student assistance, but I think it is important to emphasize the inter-relatedness of the three basic purposes of Federal aid to higher education that we have identified.

There has been a tendency to regard support of graduate training as unnecessary in view of the marked changes that have occurred in the job market for Ph.D.'s since 1968 and the forecasts of impending surpluses. This attitude, we believe, is dangerous and undesirable. Even though there is likely to be relatively little demand for Ph.D.'s in academic employment in the 1980s, long-run growth in the demand for Ph.D.'s in industry and government can be expected.

Similarly, there is a strong case for increasing Federal appropriations for research and development along with the growth of GNP. In fact, if we consider the challenges of overcoming scarcities of food and raw materials, of learning how to control the forces that threaten the environment, and of overcoming severe urban crisis problems, increasing research funds along with the growth of GNP seems a modest goal.

Turning briefly to the objective of *achieving a nationwide balance*, we find that there are still very wide disparities in undergraduate enrollment rates from state to state. The differences follow a regional pattern and are clearly related to differences in per capita income and in the racial composition of the populations of states and regions. They are also closely related to variations in high school graduation rates. In general, both high school graduation rates and college enrollment rates are low throughout the southern part of the United States. So, also, are such other important indications of nationwide imbalance as the ratios of physicians and other health manpower to population and the ratio of Ph.D.'s awarded to population.

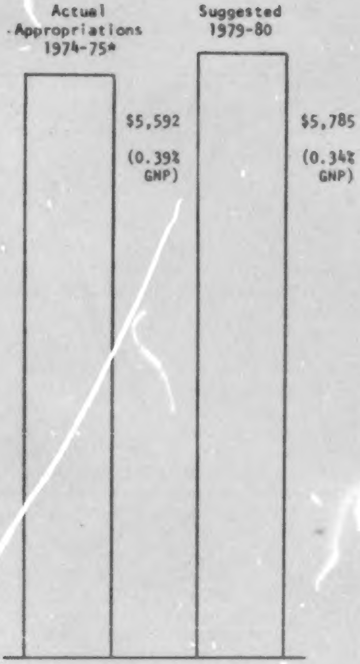
INCREASES IN FEDERAL FUNDING OF STUDENT AID

If savings from veterans' educational benefits are transferred to other student aid programs, as enrollment of veterans declines, and if existing loan programs are replaced by a National Student Loan Bank, as we recommend, the estimated increase from fiscal year 1975 to 1980 to reach full funding of all student aid programs would be very modest, amounting to only about $190 million in constant dollars (Chart 2.) Total expenditures for student aid would actually decline as a percentage of GNP—from 0.39 to 0.34. percent.

There is one important qualification that needs to be kept in mind in connection with the estimates in Chart 2, however. Even if Congress were to act promptly to phase out existing student loan programs and replace them by a National Student Loan Bank, there would probably be some continued expenditures for defaults in 1979-80. Because it is extremely difficult to estimate what these amounts might be, we have not included them.

It is important, also, to call attention to the fact that the figures in Chart 2 differ from those in the corresponding chart (Chart 1) in our recent report, *The Federal Role in Postsecondary Education*, for three reasons. They relate only to student aid programs, whereas Chart 1 in the "Federal role" report included institutional aid programs, graduate fellowships and traineeships, and federal funds for research. Secondly, they incorporate a somewhat more modest estimate of the increase in undergraduate enrollment from 1974-75 to 1979-80, reflecting a slight downward revision in the Council's enrollment projections

Chart 2 Federal Support for Student Aid Programs in Higher Education (in millions of constant (1974) dollars)



Suggested changes to 1979-80

Equality of opportunity

Basic opportunity grants	+$1,480
Supplemental educational opportunity grants	-140
College work-study program	+280
Loan programs	-409
State student incentive grants	+350
Social security benefits	+64
Veterans' benefits	-2,077

Institutional health

Tuition equalization grants	+645

*In some cases, expenditures rather than appropriations.

Source: Table I.

since the report on the Federal role was completed.[2] And, finally, Congress has acted to increase the appropriation for the College Work-Study program for the present fiscal year from $300 to about $420 million since our report on the Federal role was issued.

I now turn to our specific recommendations relating to Federal student aid program. In this connection, it is important to emphasize the fact that *our recommendations on student assistance programs are closely interrelated and in some cases would not necessarily be desirable in the absence of other related changes.*

---

[2] The Council's revised enrollment projections are presented in the forthcoming publication of the Carnegie Foundation for Advancment of Teaching, *More Than Survival: Leadership Tasks for Higher Education in a Period of Uncertainty*. They will also be presented in greater detail in the Carngie Council's forthcoming report on enrollment projections.

BASIC EDUCATIONAL OPPORTUNITY GRANTS

The adoption of the Basic Educational Opportunity Grants program in the Educational Amendments of 1972 represented a major step toward a policy of Federal aid to higher education that would be designed primarily to encourage equality of opportunity. Ideally, the BEOG program could be expected to have the following advantages:

It would encourage free student choice of institution and field of study.

Through its emphasis on aid to students rather than aid to institutions, it would encourage diversity and preserve institutional autonomy and integrity.

It would assist both public and private institutions.

And, as an integral part of its contribution to equality of opportunity, it would ensure a relatively large flow of student aid funds to states and areas with low per capita incomes, and to institutions that enrolled large proportions of low-income students.

In practice, partly because of certain restrictive provisions in the legislation, and partly because the program has been very inadequately funded thus far, it has fallen far short of achieving these objectives.

The major weaknesses of the program may be summarized as follows:

1. *Despite recent liberalizing modifications, the eligibility conditions continue to be very restrictive.*—In some respects, the BEOG eligibility conditions continue to be more restrictive than those of the College Scholarship Service that have generally been used by colleges and universities in awarding student aid. A particularly significant difference is the use of essentially the federal poverty-line standard in the computation of discretionary family income in the BEOG regulations, whereas the CSS guidelines make use of both the "austerity" and "modest but adequate" budgets for a city worker's family developed by the U.S. Bureau of Labor Statistics.

As a general principal, we believe that a student from a family in the lowest income quartile should ordinarily receive the maximum grant, that about one-half of the maximum grant would be the average amount received by a student in the second lowest quartile, and that some grants would be made under unusual family circumstances to students from families in the lower part of the upper half of the income range. We estimate the upper boundary of the first quartile in 1974 to be about $7,600, the upper boundary of the second lowest quartile to be about $12,900, and the upper boundary of the third quartile to be about $19,400.

The recent liberalization of the treatment of assets, under which assets up to $10,000 may be disregarded, is to be commended. We do not believe, however, that illiquid assets—including an owned home—should be considered at all.

However, we do not believe that eligibility conditions should be liberalized appreciably until the appropriations for the program are increased very substantially. As Terrell H. Bell, U.S. Commissioner of Education, has pointed out, the average grant available to students in 1975-76 is likely to be lower than the 1974-75 average of $690.

In fact, so long as appropriations fall far short of the need, it is impossible to achieve equity under the program. Restrictive eligibility conditions give rise to complaints that students in lower-middle-income families get little or no assistance, but liberalization of eligibilty conditions reduces the average amount of aid available to all students, including those from low-income families, and, indeed, reduces the proportion of total funds flowing to students from low-income families.

Recommendation 2.—The eligibility conditions for BEOG grants should gradually be liberalized, but only as appropriations increase sufficiently to permit such liberalization without penalizing students in the family income range in which students are currently eligible.

2. *The provision that grants may not exceed 50 percent of the student's cost of attendance is inconsistent with the program's major objective, to ensure equality of opportunity.*—As Hartman has pointed out, the cost limitation discriminates against students from low-income families who attend relatively low-cost public institutions and student from lower-middle-income families who attend public community colleges, in the sense that their grants are either sharply or appreciably reduced below the amounts to which the students would be

entitled without the cost limitation. On the other hand, students who are at the upper end of the income range eligible for grants are not affected at all by the cost limitation.[3]

We prefer a somewhat different recent proposal, that BEOG's be restructured to provide for students' noninstructional costs, for the following reasons:[4]

a. Frequently the only feasible option for a low-income student is attendance at a nearby low-cost public college. His financial need is primarily for noninstructional costs, but the present limitation of the BEOG grant to no more than 50 percent of total costs typically means that his noninstructional costs will be by no means fully covered. Thus he is likely to choose to attend on a part-time basis while working. His problem tends to be exacerbated if, as is frequently the case, his family needs a contribution from his earnings.

b. Noninstructional costs vary relatively little from State to State, whereas tuition and required fees vary widely.[5] Thus a grant based on average nationwide noninstructional costs would tend to meet the subsistence needs of all low-income students.

c. State policies have been designed to subsidize instructional costs either through subsidization of educational costs at public institutions, or through the growing number of scholarship programs and the less numerous but also expanding programs of State aid to private institutions. State scholarship programs frequently take the form of tuition grants and do not provide for noninstructional costs. In view of the fact that both educational subsidies and tuition policy are retermined by State agencies or by institutions, States can structure their educational subsidies and scholarship programs accordingly. We believe tuition decisions for public institutions are best left in the hands of the States, and that the Federal Government should not become involved. However, by substantially increasing the funds available for the State Student Incentive Grant program, as we shall suggest at a later point, the Federal Government could provide a powerful inducement to the States to increase the amounts expended on State student aid programs.

d. Restructuring the BEOG program to provide for noninstructional costs and restructuring other student grant programs—especially the State Student Incentive Grant program—to provide for tuition would create a clearcut division of function between the BEOG program and other student grant programs in place of the present confused relationships among these programs.

On the basis of 1974-75 student costs, total commuter costs average about $1,600 and total resident costs about $1,900.[6] Thus, to cover 100 percent of these costs, the maximum grant would have to be larger than the current $1,400. This could be accomplished gradually by covering somewhat less than 100 percent of costs at first and raising the percentage covered over the course of several years. Our cost estimates are developed on the basis of a standard maximum grant of $1,600.

Recommendation 3.—The BEOG program should gradually be restructured to cover 100 percent of noninstructional costs for students eligible for the maximum grant and lower percentage for students entitled to reduced grants on the basis of their families' contributions. Student aid designed to help students meet instructional costs should be shifted to other programs.

3. *The funds appropriated for the BEOG program have been seriously inadequate.*—When the BEOG program was enacted, it was widely thought that it was intended to be an entitlement program, comparable to veterans' edu-

---

[3] R. W. Hartman. "Higher Education Subsidies: An Analysis of Selected Programs in Current Legislation." In Joint Economic Committee, U.S. Congress, *The Economics of Federal Subsidy Programs, Part 4, Higher Education and Manpower Subsidies.* Washington, D.C., 1974, p. 474.

[4] This proposal was first made by Lois D. Rice, Vice-President of the College Entrance Examination Board, in a paper entitled "Federal Student Assistance: Title IV Revisited." 57th Annual Meeting, American Council on Education, San Diego, Calif., Oct. 11, 1974. It has since been endorsed by several organizations and a number of individuals.

[5] For an analysis of interstate variations in tuition at public colleges and universities, see the Council's forthcoming report, *The Feasibility of A National Pattern of Low or No Tuition in the First Two Years of College.*

[6] Estimated from data in E. W. Suchar, W. D. Van Dusen, and E. C. Jacobson. *Student Expenses at Postsecondary Institutions, 1974–75.* New York: College Entrance Examination Board, 1974.

cational benefits or social security educational benefits. In other words, the appropriations would be large enough to provide for grants up to the maximum amount for all students meeting the eligibility conditions. It quickly became apparent that congressional appropriations committees were not disposed to treat the program in this manner.

The estimated cost of fully funding the proposed restructured BEOG program is $1,860 million.[7] On the basis of the Carnegie Council's revised projections of undergraduate FTE enrollment, we estimate the cost in 1979-80 to be about $2,140 million in constant (1974) dollars.

Recommendation 4.—Appropriations for the BEOG program should be increased over the next several years so that funds will be adequate to ensure that the program meets its objectives and gradually becomes an entitlement program. We estimate that this will require about $2,140 million in constant (1974) dollars by 1979-80.

THE SUPPLEMENTARY EDUCATIONAL OPPORTUNITY GRANTS PROGRAM

The BEOG program clearly conforms to the principles that we endorse for Federal student aid more satisfactorily than does the Supplementary Educational Opportunity Grants program. In particular, the BEOG program is much more consistent with the principles of freedom of student choice among institutions and of uniform treatment of all students from comparable family income groups. In addition, the State Student Incentive Grants program has the advantages over SEOG of inducing the States to adopt student aid programs, to provide matching appropriations, and to restructure their student aid programs in accordance with Federal requirements. As we have suggested earlier, also, States can coordinate student assistance for instructional costs with their tuition policy and with their programs, if any, of institutional aid to private colleges and universities.

The provision of the Educational Amendments of 1972 that no BEOG payments can be made unless the appropriation for SEOG grants amounts to at least $130 million, for these and other reasons, should be removed. We would also urge removal of similar requirements relating to the funding of the College Work-Study Program and the Direct Student Loan program.

Particularly compelling criticisms of the EOG program, to which the SEOG program is a successor, were made by two separate panels appointed by the College Entrance Examination Board in the last few years. These criticisms were discussed rather fully in my testimony of last June and are, in any case, familiar to members of the Subcommittee. Briefly, studies made by these panels indicated that the amount of student aid received under the program did not tend to vary in relation to need and that large financial need tended to reduce the probability of admission by a college or university. In addition, inequities in the allocations of funds received by States and by individual institutions have been stressed in The Brookings Institution's report on the 1974 Budget and in other reports, as well.

Although we believe that the SEOG program should largely be phased out and replaced by the SSIG program, there is a case for a residual SEOG program, partly because it seems likely that some of the States may not be induced to take full advantage of the increased grants from the Federal Government that we are recommending under the SSIG program. Experience in public assistance and certain other Federal matching grant programs has been that low per capita income States, in particular, sometimes find it difficult to provide matching funds, even when the matching formula is relatively favorable for low-income States.

On the other hand, if experience under an augmented SSIG program were to be fully successful, in terms of the impact on state funding, the case for completely phasing out the SEOG program would be strengthened.

There are numerous ways of restructuring the SEOG program so that it would be more effective in meeting the needs of low-income students for assistance. We believe that SEOG funds should be related solely to instructional costs and focused on the needs of low- and middle-income students attending moderate- and higher-priced institutions.

---

[7] This estimate was developed by the Washington Office of the College Entrance Examination Board.

Recommendation 5.—The Council recommends the partial phasing out of the SEOG program, along with a major increase in the relative role of the SSIG program. The SEOG program should be restructured to cover only instructional costs and to meet more effectively the needs of low- and middle-income students attending moderate- and higher-priced institutions. Funds available for the program should gradually be reduced from the present $240 million to about $100 million.

THE STATE STUDENT INCENTIVE GRANTS PROGRAM

The Carnegie Council urges adequate funding of the SSIG program, for a number of important reasons. In the first place, we believe that State Governments should provide fiancial aid to private, as well as to public institutions, and that aid to private institutions should take the form primarily of State tuition grant programs. Secondly, the Council believes that the primary responsibility for planning the future development of higher education should remain with the States, where it has been historically, and that Federal aid should be provided in a form that will involve minimal interference with this traditional role of the States. The SSIG program conforms well with this criterion.

A third and very important point is that, in general, the percentage of State personal income expended on higher education varies inversely with the proportion of total State enrollment in private colleges and universities. In other words, with some notable exceptions such as New York State, the States that historically have had strong private sectors of higher education have spent relatively little as compared with States in which public institutions have been predominant.[8] Thus there is a great deal to be said for a Federal program that induces all the States to increase their spending on scholarship programs, while at the same time encouraging States with strong private sectors to use this means of assisting private institutions to compete with public institutions.

The States have made impressive progress in developing student aid programs in recent years. As recently as 1965-66, the total amount of aid provided by State scholarship programs was only $72 million, and only about 15 States had such programs. By 1974-75, total appropriations for comprehensive State undergraduate student aid programs amounted to more than $456 million, a major portion of which went to students at private institutions. All 50 States have now filed applications for SSIG funds. However, there is a tendency for the amounts of aid made available to be quite small in many of the States. In terms of total dollars appropriated in 1974-75, the largest programs were in New York, Pennsylvania, and Illinois, in that order. In terms of dollars per student enrolled. Pennsylvania led with an appropriation of approximately $164 per enrolled student, followed by Ilinois, New York, and New Jersey, with averages of somewhat more than $100 per student. At the other end of the spectrum were Delaware, Kentucky, Maryland, Oklahoma, and Virginia, with average amounts per enrolled student of less than $5.

There is little question that the Federal funds made available under the SSIG program have played a role in stimulating the States to adopt scholarship programs. Federal funds were actually available for the first time in fiscal year 1974-75. Between the fall of 1973 and the fall of 1974, the number of States that had authorized comprehensive undergraduate scholarship programs rose from about 30 to 41, and funds appropriated by the States for these programs rose sharply between 1973-74 and 1974-75.

We believe that, if BEOG grants are restructured to cover noninstructional costs, as we have recommended above, the State undergraduate scholarship programs should be limited to aid for instructional costs, as most of them are, in any case. We also believe that Federal provisions should require that State aid be available for students attending both public and private institutions. Some of the State programs are limited to students attending private colleges and universities.

---

[8] This relationship is revealed in Table A-17 of the Council's forthcoming report, *The Feasibility of a National Pattern of Low or No Tuition in the First Two Years of College.*

In addition, if greater relative emphasis is to be placed on the State Student Incentive Grant program, as we suggest, there could be an adverse effect on interstate student migration, because only a few of the States provide scholarships for students attending out-of-State colleges. We believe that Federal provisions should be amended to require that, in order to qualify for Federal matching funds, State programs should provide scholarships to students wishing to attend institutions in other States.

Finally, there have been complaints from some of the States with long-established scholarship programs that they were already spending large sums in 1972-73—the base year for Federal matching under current legislation—and benefit from no matching Federal funds for these expenditures. On the other hand, States establishing programs from 1972-73 on are eligible for Federal matching funds for their total appropriations. We suggest that, to adjust in large part for this inequity, matching Federal funds be made available for increases in State appropriations from 1969-70 on. We select the year 1969-70, because that was the first year for which comprehensive data on State expenditures for scholarship programs were compiled. Total appropriations in that year were $191 million, as compared with $325 million in 1972-73. The increase in State appropriations between these two years, for States with programs in both years, are shown in Table 2.

We believe that the SSIG program should be expanded so that Federal and State appropriations combined meet the estimated needs of low- and lower-middle-income students for tuition grants. We are also, however, recommending a related program of matching Federal funds for a tuition equalization grant program (see the discussion in the next section). We estimate that about $1,370 million would be needed by 1979-80 to provide full tuition grants, up to a maximum of $1,500, for students from families in the lowest quartile in terms of family income, and reduced grants for students from the next-to lowest quartile.[9]

From this total of $1,370 million, we estimate that approximately $250 million can be expected to be met through private and institutional sources of student aid funding.[10] Thus, we arrive at a net Federal-State need for approximately $1,120 million. The Federal share would amount to $560 million and would be reduced to $370 million, because of the approximately $190 million of State scholarship funds that would not be subject to Federal matching if the base year is shifted to 1969-70, as we recommend.

Recommendation 6.—The funds saved through partially phasing out the SEOG program should be transferred to the SSIG program, and total appropriations for the latter program should be gradually increased, so that combined Federal-State expenditures will be adequate to meet the need of low-income and lower-middle-income students for tuition grants by 1979-80. This would require an estimated Federal appropriation of about $370 million in constant (1974) dollars by 1979-80.

Recommendation 7.—The criteria for State scholarship programs to be eligible for Federal matching funds should be augmented to provide that (1)

---

[9] In developing our cost estimate, we used data on parental income distributions, tuition levels, and FTE undergraduate enrollment for five groups of institutions: (1) Public universities, (2) other public four-year institutions, (3) public two-year institutions, (4) all private collegiate institutions, and (5) noncollegiate institutions in which students would qualify for Federal aid. Data on the last group of institutions are very inadequate.

[10] Institutional revenue for student aid from private sources of funding plus direct private student aid amounted to about $320 million in 1971–72, the most recent year for which detailed financial data are available. In addition, institutions were spending $475 million on student aid in that year from other sources of current-fund revenue. The need to provide for student aid by drawing on funds not originally allocated for student aid has created financial difficulties for both public and private institutions in recent years, and, as a number of studies have shown, has been a major explanation of deficits in private institutions. We therefore do not believe that institutions should be expected to continue to meet student aid needs in the future to nearly as great an extent in this manner. Our estimate of $250 million from private sources includes an assumed $100 million from current funds other than those originally allocated for student aid. In addition, we roughly estimate that only about $150 million of student aid from private sources would be likely to contribute to scholarships up to a maximum of $1,500 for low-income students. Selective private institutions with relatively high tuition—now ranging upward from $3,000 a year—have comparatively large amounts of private student aid funds that are likely to be used in considerable part to provide tuition grants exceeding $1,500 and also to assist postbaccalaureate students.

State programs should be designed to cover tuition and required fees up to a maximum of $1,500, but not any portion of noninstructional costs; (2) tuition grants should be available for students attending both public and private institutions; (3) students should be permitted to qualify for tuition grants to attend colleges and universities in other States;[11] *and (4) Federal matching funds should be available for all increases in State expenditures on eligible scholarship programs from 1969-70 on.*

TUITION EQUALIZATION GRANTS

Rising costs and financial stringency have created a very difficult situation for private colleges and universities in recent years. Dependent as they are for tuition as their primary, and, in some cases virtually sole, source of income, they have had to raise tuition sharply to meet accelerated increases in costs. Gradually the ratio of average tuition in private institutions to that in public institutions has increased—from 4.1:1 in 1961-62 to 5.0:1 in 1974-75. For the prospective student and his parents, however, the dollar difference between tuition charges at private and public institutions is the more meaningful figure. On the average, tuition charges at public institutions rose from $210 in 1960-61 to $450 in 1974-75, while charges at private institutions rose from $856 to $2,241 over the same period.[12] And, at many of the more selective private colleges and universities, tuition is well above $3,000, while some institutions have announced charges of $4,000 or more for 1975-76.

Particularly among the less selective private institutions, tuition charges cannot be increased further without severely jeopardizing the capacity of these colleges to attract students, and stringent "belt-tightening" is essential for survival.[13] Although the widening tuition gap between private and public institutions is probably not the sole reason for sagging enrollment in private colleges and universities, it is widely believed to be a primary reason. Beginning in 1967, total enrollment in private colleges and universities began to level off, while enrollment in public institutions was still rising rapidly. Between 1967 and 1974, enrollment in private institutions declined from 30 to 22 percent of total enrollment in higher education. Many observers are convinced that this trend can be arrested or reversed only by a pronounced increase in the flow of public funds to the private sector.

The Council believes that it is imperative for measures to be taken to assist private higher education to maintain, or, perhaps, even increase its share of total enrollment. Private colleges and universities have played a distinctive role in the development of American higher education and contribute greatly to diversity and flexibility within our system. Their existence provides a strong incentive for public colleges and universities to seek to maintain comparable standards of quality and helps to strengthen academic freedom in the public sector.

Their large investments in extensive grounds and buildings should not be replaced by alternative public investments as private institutions are forced to close their doors, and yet we do not believe the "taking over" of private institutions by public institutions is the answer to this problem, even though it is occurring in some cases.

We believe that the time has come for the Federal Government to take decisive steps to assist the States in their efforts to preserve private colleges and universities. To the extent that here are social benefits from public subsidization of higher education, these benefits accrue from collegiate education in private, as well as in public, institutions. Thus, there is a strong case for at least partial public subsidization of private higher education, as long as large educational subsidies flow to public institutions. We believe that the preferable way of approaching this objective is through "tuition equalization grants," which would be provided for students wishing to attend private colleges and universities and which would be equal to a certain proportion of the educational subsidy per student in public higher education.

---

[11] An alternative way of encouraging interstate mobility of students would be through reciprocity agreements between states.

[12] U.S. National Center for Educational Statistics. *Projections of Educational Statistics to 1979-80: 1970 Edition.* Washington, D.C., 1971, p. 109; and ibid. *1973 Edition.* Washington, D.C., 1974, p. 110.

[13] For a more extensive discussion of the problems of private institutions, see the forthcoming report of the Carnegie Foundation for the Advancement of Teaching. *More Than Survival: Leadership Tasks for Higher Education in a Period of Uncertainty.*

On the average, tuition charges in four-year public institutions represent about one-fourth of educational costs. Educational costs per FTE undergraduate student in four-year public institutions may be estimated at about $2,000 a year, while average tuition in these four-year institutions is about $500, so that the average educational subsidy per student is $1,500. The situation varies greatly from State to State and from institution to institution, but these are approximately the national averages which we believe should serve as a guide to the design of a tuition equalization program. We do not believe that tuition equalization grants should equal this entire educational subsidy in public institutions, because full tuition equalization grants could create pressures for increases in tuition in at least some private institutions. We propose a program under which States would provide a tuition equalization grant that would average about $750 a year, or one-half the educational subsidy of $1,500, with one-half of the cost to be met through Federal matching grants to the States. Within the proposed program, the actual amounts of grants would vary from State to State with variations in educational costs and tuition charges in four-year public institutions. The amounts would probably also need to be adjusted somewhat for differences in educational subsidies among public universities, State colleges, and two-year colleges. We are, however, excluding the lower-cost public two-year institutions from our estimates, because we believe that private colleges and universities compete for students primarily with public four-year colleges and universities.

In order to be effective in partially offsetting the impact of the tuition gap between public and private institutions, the equalization grants should be made available to all students attending private institutions without a needs test. Low-income and lower-middle-income students attending private institutions could qualify for supplementary tuition grants under the State Student Incentive Grant program. The amounts of their tuition equalization grants would be subtracted from the maximum amount to which they would be entitled under the SSIG program, and we have allowed for this deduction in our estimate of the cost of fully funded SSIG program. Needy students attending institutions would, of course, qualify for tuition grants under the SSIG program but not under the tuition equalization program. The tuition equalization program, like existing State scholarship programs assisted by SSIG funds, would be administered by the States.

We believe that such a program would be preferable to expansion of direct State institutional aid to private institutions, because it would involve minimal interference with private colleges and universities and would enhance the principle of student choice. The availability of Federal matching funds would also be of substantial assistance to the States in developing such programs.

On the basis of estimated undergraduate FTE enrollment of approximately 1,500 million in private institutions in 1974-75, the total cost of the proposed tuition equalization grant program would be about $1.125 million, and the Federal share would be about $563 million. If we assume that, with the assistance of the tuition equalization grant and other augmented student aid programs recommended in this report, private institutions will be able to retain their present share of total undergraduate FTE enrollment, the cost of the Federal share in 1979-80 may be estimated at approximately $645 million.

Recommendation 8.—Federal matching funds should be provided for one-half of the cost of a State tuition equalization grant program, which would provide an average tuition grant of about $750 dollars for all undergraduate students attending private colleges and universities. The actual amount of the grant would be set by States and would represent about one-half of the average educational subsidy per undergraduate FTE student in public four-year colleges and universities in each State. The estimated cost of the Federal share is about $645 million in constant (1974) dollars in 1979-80.

THE COLLEGE WORK-STUDY PROGRAM

There is widespread agreement that the College Work-Study program is a particularly successful form of student aid, regarded very favorably by students assisted under the program, by institutions of higher education that have made advantageous use of student services under the program, and by other public and nonprofit agencies that have been able to expand their services through employing students on a subsidized basis. There is also impressive evidence that many more students could be employed under the program, especially by public and nonprofit agencies other than colleges and universities, if appropriations were larger.

As we have suggested earlier, budgetary constraints are likely to discourage large increases in appropriations for Federal student aid programs at a time when the nation is attempting to combat both inflation and a relatively severe economic recession simultaneously. But there is a strong case for increasing appropriations for the CWS program at a time when public service employment is being increased and private employers are likely to provide relatively fewer jobs for students on a nonsubsidized basis than in more prosperous times. Indeed, the recent action of the House in raising the appropriation for the current fiscal year from $300 million to nearly $420 million suggests that there is widespread agreement with this point of view. However, if only $60 million is actually expended in the current fiscal year, total appropriations shown in Chart 2 for 1974-75 would be $5,532 million, rather than $5,592 million.

As was indicated in your hearings last May, the results of a study conducted by the Bureau of Applied Social Research at Columbia University indicated that about 80 percent of college work-study administrators could provide more jobs through the program if additional funds could be obtained. In the judgment of the researchers who conducted the study, there were especially promising opportunities for expanding the number of jobs provided by off-campus public and nonprofit agencies if appropriations were increased. In fact, these jobs, which now represent only about 11 percent of all jobs provided under the program, could be expanded to about 50 percent of the total.[14]

We also agree with the recommendation of those who conducted the Columbia study that funds should be made available for improved administration of the program on campuses. On many campuses, and especially in small institutions, there is little or no provision for staffing the program, and yet, especially in relation to the development of jobs in public and nonprofit agencies, there is a critical need for an adequate staff. Moreover, too often the jobs that are provided work-study students on campus are not related to their educational programs, and in some cases merely replace nonstudent employees who would otherwise fill the jobs. Adequate staffing of the program would be helpful in overcoming these problems.

On the other hand, we do not agree with the Columbia researchers that the work-study program should be extended to include jobs in private employment. Many students are employed in part-time, and sometimes full-time, jobs in private employment without any Federal subsidy. If Federal subsidies were to become available, even though for a smaller proportion of total wages than under existing provisions, for student jobs in private employment, it would be extremely difficult to prevent employers from replacing nonsubsidized jobs by subsidized jobs. In other words, there would be considerable "leakage" of the Federal expenditures in the form of simply replacing previous expenditures of private employers on nonsubsidized employment.

There are ways in which the Federal Government can encourage private employers to hire students, primarily through increased support of cooperative education programs, in which students typically alternate periods of study with periods of work in nonsubsidized employment. However, in some cases, cooperative education programs involve part-time work experience while the student is enrolled. There is a decided need to encourage various ways of combining education and work experience.

We believe that the relationship of the College Work-Study program to other student assistance programs should be carefully re-examined, with a view to adoption of a number of changes. The tendency of institutions, noted above, to favor the more able students with relatively more grant aid, as compared with work-study or loans, is regrettable. Moreover, students from low-income families are relatively likely to experience educational disadvantages in their initial college years, and thus should receive relatively large amounts of grant aid, as contrasted with work-study or loans, in the lower-division years. Upper-division students, and lower-division students who are well prepared for college work, should be encouraged to take part in the work-study program.

---

[14] N. Friedman and L. W. Sanders. Statement in *Student Financial Assistance (Work Programs)*. Part 2, pp. 7–26. Hearings Before the Special Subcommittee on Education, U.S. House of Representatives, 93rd Cong., 2nd Sess. Washington, D.C., May 7, 8, 13, 14, 15, 16, and 21, 1974, p. 14.

We also believe that consideration should be given to gradual elimination of the family income eligibility standards for the CWS program. This would be a particularly appropriate way of making student aid available for students from middle-income families who are now almost entirely excluded from most aid programs. As in the case of the BEOG program, however, family income eligibility standards should be relaxed only gradually as more adequate appropriations are provided. Otherwise, the proportion of funds available for low-income students is likely to decline.

Problems of inequity in the allocation of funds for the CWS program are similar to those relating to the SEOG program, and there is a need for revising allocation procedures so that each institution receives the same share of panel-approved funding.

Recommendation 9.—The annual appropriations for the CWS program should be increased from the $420 million made available in 1974-75 to at least $500 million in 1975-76. Additional increases should be seriously considered in subsequent years if experience indicates that more funds can advantageously be used. We estimate a need for approximately $700 million in constant (1974) dollars by 1979-80.

Family income eligibility conditions under the CWS program should gradually be eliminated, but only as appropriations increase sufficiently to permit such liberalization without penalizing students in the family income range now eligible for CWS jobs. Colleges should also be encouraged to structure student aid "packages" to provide relatively more grant aid to lower-division students and relatively more CWS assistance to upper-division and graduate students.

In addition, the allocation formula should be revised so that each participating institution receives the same percentage of panel approved funding as every other.

STUDENT LOAN PROGRAMS

We do not subscribe to the view, emphasized by some economists in recent years, that students capture all or most of the benefits of higher education. In this view, students can therefore well afford to repay loans from the relatively high incomes they will receive as college graduates, and any student assistance provided should take the form of loans. We believe that there are substantial social benefits from higher education that justify substantial public support in the form of a combination of tuition subsidies and various types of student aid. Nevertheless, a well-designed loan program is an essential part of a comprehensive student aid program, to enable needy students to supplement the necessarily limited aid that can be received in an equitable grant program and to enable students who do not come from needy families to borrow if, for one reason or another, their parents are unable or unwilling to meet all their college expenses. The need for loans is likely to be particularly great among students who wish to attend relatively high-cost private institutions and among graduate and professional students.

There is no aspect of student assistance that is in greater need of major legislative restructuring than the provisions relating to student loans. Turning our attention first to the Guaranteed Loan Program, there are serious weaknesses that remain now that the unpopular needs test has been eliminated from eligibility for an interest subsidy on annual loans up to $2,000 for students whose adjusted family income is below $15,000:

1. A basic problem of inequality of opportunity in a program in which lenders, and especially bank lenders, are likely to be influenced by the credit standing of the student's family and probably, also, by the family's socioeconomic status in the community.

2. The necessity for "special allocations" from the Federal Government to make possible continued student access to loans when the relevant interest rate rises above 7 percent.

3. The difficulty of ensuring student access to loans, even when these "special allocations" are available, in a tight money market.

4. The lack of incentive for banks and other lenders to pursue adequate collection procedures when loans are guaranteed by the Federal Government. The rising default rate in the guaranteed loan program has been a matter of growing concern and is reflected in the sharply rising appropriations for defaults. The default rate by 1973-74 has been estimated at 14.5 percent. Significantly, the proportion of defaults accounted for by students at proprietary

schools has been growing rapidly and amounted to 58 percent of defaults in 1973-74, with public institutions of higher education accounting for 33 percent and private institutions only 9 percent.[15] Recently adopted Federal Trade Commission regulations relating to proprietary schools requiring, among other things, a fair and equitable refund policy when a student drops out, should help to hold down the number of defaults at proprietary schools. Interestingly, also, default rates under the numerous State guaranteed loan programs that are reinsured by the Federal Government have been relatively low—in the five to seven percent range. This has been attributed to better administration of the State programs.

5. A fundamental question as to whether interest subsidies, as opposed to deferral of interest during periods of enrollment, are appropriate. Not only do interest subsidies lend themselves to abuse, but they are inconsistent with the view that a good student loan program should be designed to provide only supplemental assistance to needy students and should be a major form of student aid primarily for students in middle- and upper-income families who cannot qualify for grants, and for graduate and professional students. If interest subsidies and provided, then a needs test is appropriate, but we do not believe that a well-structured student loan program should be needs-tested. If the program is unsubsidized, there is no good reason why it should not be available to all students regardless of income. Reasonable limits on the amounts that can be borrowed, along with the natural desire of the great majority of students to avoid excessive indebtedness, will prevent over use of the program.

6. The disadvantages of a short period of repayment—difficult to avoid when banks predominate among lenders—in view of the life cycle in income and expenditures. Not only does income tend to be relatively low in the early years after college graduation and to rise to a peak in late middle age, but youthful families also tend to borrow in the early years of marriage to acquire a home and appliances. They reach a point at which their debts for these purposes are paid off and net savings are feasible at some point in middle age. Moreover, it is in the early years of marriage that a wife, who may also have borrowed as a student, is likely to be out of the labor force because of childrearing. For all of these reasons, and also because inflation lightens the burden of repayments as the years go on, a relatively lengthy repayment period is very advantageous for student borrowers.

There has been some tendency in Congress to prefer the Direct Student Loan program over the Guaranteed Loan program. However, the Direct Student Loan program presents problems, also, especially serious problems of differences in treatment of different students if it is to exist side by side with the Guaranteed Loan Program. The 3-percent interest rate was appropriate when the program was adopted in the late 1950's, but does it make sense today for some students to be eligible for 3-percent loans while others have to pay well over 7 percent? There is also an understandable tendency on the part of institutions to give preference to able students in the allocation of loans under this program and to be more concerned about the credit standing of the student, because the institution's own funds are involved, than when it is determining need for a guaranteed loan.

Nevertheless, the default rate in the Direct Student Loan program is appreciable, although apparently below that in the GSL program.[16]

We do not believe that minor improvements in existing programs will remove all of these weaknesses. Instead, we express strong support for a program along the lines of the National Student Loan Bank recommended by the Carnegie Commission, which provides that:[17]

1. The Federal Government should charter a National Student Loan Bank, a nonprofit private corporation to be financed by the sale of governmentally guaranteed securities. The Bank would be self-sustaining, except for administrative costs and the cost of any cancellations of interest because of low income and of principal for any reason other than death, which would be met out of Federal appropriations.

---

[15] J. J. Winkler. "Defaults Up: Failure of Students to Repay Guaranteed Loans May Cost the Government $508-Million." *Chronicle of Higher Education*, Sept. 30, 1974, p. 7.

[16] C. M. Fields. "Loans: Another Program Suffers Defaults." *Chronicle of Higher Education*, Nov. 4, 1974, p. 4.

[17] Carnegie Commission on Higher Education. *Quality and Equality: Revised Recommendations, New Levels of Federal Responsibility for Higher Education.* New York: McGraw-Hill Book Company, 1970, pp. 9–13.

2. The Bank would make loans in amounts not to exceed $2,500 per year up to a total of $6,000 for undergraduate studies and $10,000 for graduate studies. No student would be eligible to obtain more in loans or in other types of student aid in any year than his costs of education, including subsistence costs.

3. Borrowers would be required to repay loans by paying at least 3/4 of 1 percent of income each year for each $1,000 borrowed until the total loan and accrued interest was repaid. This level of repayment would permit the average income earner to repay his loan in approximately 20 years. (Lower earners would require a longer period.) For borrowers filing a joint tax return, the appropriate rate of repayment for the combined debt of the husband and wife would be applied to the combined income of the husband and wife.

4. Provisions relating to the beginning of initial repayments after completion of studies and after years of service in the armed forces or in national service programs would resemble those in existing legislation. There would also be provision for deferral of payments during any periods of exceptionally low income.

5. The Bank would be authorized to enter into an agreement with the Department of the Treasury under which the Internal Revenue Service would undertake all collections.

6. The interest rate charged the student would be set at a level which is adequate to permit the Bank to obtain the funds and to cover the cost of cancellation upon the death of the borrower.

7. There would be no needs test.

8. There would be no cancellation of indebtedness for entering particular professions. Any remaining indebtedness would be cancelled upon the death of the borrower or at the end of 30 years from the date of first payment.

Unlike full contingency loan programs, such as the proposed Economic Opportunity Bank, this program does not involve redistribution of income through differing levels of repayments for individuals with different levels of income. Lower-income borrowers would have to repay their entire debt but would be able to spread repayments over a longer period. The program is modeled to some extent after the well-established Swedish student loan program, but differs in some details from that program.[18]

We recognize that there may be serious obstacles in the path of early adoption of this type of program, but we believe that its many advantages over existing provisions will lead to increasing support for a program structured along these general lines. The possibility of converting the Student Loan Marketing Association (Sallie Mae), established under the Educational Amendments of 1972, into a National Student Loan Bank seems promising and should receive careful consideration. In the meantime, Sallie Mae is performing a very useful function, especially in augmenting the loan funds available to colleges and universities.

Recommendation 10.—The Council recommends that careful consideration be given to the development of a National Student Loan Bank and to the gradual phasing out of existing Federal student loan programs. The possibility of converting Sallie Mae into a National Student Loan Bank should be carefully considered.

In the meantime, emphasis should be placed on encouraging the 25 States that have not adopted guaranteed loan programs to develop programs after a certain date. Such a provision would not only have a powerful effect in inducing States to adopt their own guaranteed loan program, but would also provide an incentive for such States to become more active in regulating proprietary schools to make certain that they conform to the provisions of the new Federal regulations relating to eligibility for participation in the GSL program.

Recommendation 11.—Federal legislation relating to the GSL program should be amended to discontinue eligibility for participation of students enrolled in postsecondary institutions in States lacking a State guaranteed loan program after a specified date, for example, July 1, 1978.

PART-TIME STUDENTS

Although provisions of Federal legislation relating to the various student aid programs generally allow aid to part-time students on a prorated basis, administrative regulations, notably in the case of the BEOG program, have limited aid to full-time students. We welcome the provision for covering part-time students in the Administration 1976 budgetary allocation for BEOG. We believe that in the future there should be no discrimination against part-time students in the allocation of aid. In the last few years, the number of part-time students has been increasing much more rapidly than the number of full-time students.

---

[18] For a discussion of Swedish student aid programs, see M. Woodhall. *Student Loans: A Review of Experience in Scandinavia and Elsewhere.* London. Geo. G. Harrap & Co., Ltd., 1970.

Recommendation 12.—Provisions restricting access to student aid to full-time students should gradually be removed to permit part-time students to be eligible for aid on a prorated basis under all Federal student aid programs.

TOWARD UNIVERSAL ACCESS

Although these hearings are concerned exclusively with undergraduate student assistance programs, I should like, in closing, to call attention to the fact that the Carnegie Council does not believe that the goal of universal access can be fully achieved in the absence of funding of the cost-of-education supplements included in the Educational Amendments of 1972. Recently I have become aware of the skepticism that has been expressed by several members of this Subcommittee about provision for "institutional aid." We share this skepticism in relation to a program of capitation grants, which would duplicate the traditional type of aid that has been provided by the States. This problem was discussed more fully in my testimony of last June, in which I quoted the Carnegie Commission's warning that this type of aid would "be the initial step toward a nationalized system as, first the States would reduce their sense of basic responsibility, and, second, controls would inevitably follow the lump-sum across-the-board grants."

We believe, however, that cost-of-education supplements designed to accompany low-income student grant-holders would not involve comparable dangers and could play a special role in assisting institutions to provide the special educational programs that are frequently needed for some, though by no means all, disadvantaged students. This is not to imply, of course, that the funds would be restricted to this type of program. Rather they would play a more general role in aiding institutions to overcome the acute financial difficulties with which many of them are currently faced.

We also strongly support gradually increased funding for the following programs, some of which are directly related to the goal of universal access, and all of which can play a role in achieving this objective:

Special programs for disadvantaged students.
Aid to developing institutions.
Support for cooperative education.
Action (Peace Corps/Vista).
The Fund for the Improvement of Postsecondary Education.

IMPROVED COORDINATION

Because Federal legislation relating to student aid has developed in a somewhat piecemeal manner, there are serious inconsistencies among programs that should be eliminated. In particular, different family eligibility conditions among the various aid programs create confusion and complexity for students, parents, financial aid administrators, and all others concerned with student aid. They also create inequities. A Task Force sponsored by a number of private organizations concerned with student aid, under the chairmanship of Francis Keppel, is at work on the problem of developing a single application form for all student aid programs. Once the work of the Task Force is completed, it is to be hoped that the Federal and State agencies involved cooperate in developing a single application form. Elimination of inconsistencies in actual family eligibility requirements, however, will require some changes in the provisions of Title IV of the Higher Education Act. We also believe that, if State scholarship programs are to be more fully coordinated with Federal student aid programs, States participating in the SSIG program should be required to adopt the same eligibility conditions as those stipulated in a coordinated Federal program.

Recommendation 13.—The Council recommends the revision of Federal legislation relating to student aid programs to provide for a single set of family income eligibility conditions under all Federal student aid programs and also under State scholarship programs receiving matching Federal funds through *the SSIG program. Federal and State agencies should also cooperate in the development of a single application form.*

Coordinated congressional consideration of appropriations relating to postsecondary education is hampered by the fact that a number of different subcommittees in both the House and the Senate are involved in determining appropriations. In particular, our recommendation for increasing expenditures on other student aid programs as expenditures on veterans' educational benefits decline may be difficult to implement because different committees are involved. The new budgetary procedures recently adopted by Congress will contribute greatly toward better coordination, but it is not clear that postsecondary education will be a subject matter area designated for special consideration under these procedures. We believe that Congress should provide for improved coordination of appropriations relating to postsecondary education by changing its rules to require meetings of the chairmen of all subcommittees concerned with any aspect of postsecondary education before appropriations decisions become final.

Recommendation 16.—Congressional procedures relating to appropriations should require meetings of the chairmen of all subcommittees concerned with any aspect of postsecondary education before appropriations relating to postsecondary education are finally determined.

TABLE 1.—APPROPRIATIONS FOR SELECTED FEDERAL STUDENT AID PROGRAMS,[1] ACTUAL OR ESTIMATED 1974-75, AND RECOMMENDED, 1975-76 TO 1979-80

[In millions of constant (1974) dollars]

Program	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Total appropriations	$5, 592	$5, 270	$5, 510	$5, 512	$5, 567	$5, 785
Basic educational opportunity grants	660	956	1, 252	1, 548	1, 844	2, 140
Supplemental educational opportunity grants	240	212	184	156	128	100
College work-study program	420	500	550	600	650	700
Interest and defaults on insured loans	430	NA	NA	NA	NA	NA
Direct student loans	329	NA	NA	NA	NA	NA
National student loan bank	0	35	114	193	272	350
Social security benefits	856	869	882	895	908	920
State student incentive grants	20	90	160	230	300	370
Tuition equalization grants	0	129	258	387	516	645
Veterans' benefits [2]	2, 637	2, 479	2, 110	1, 503	949	560

[1] Does not include costs associated with phasing out existing loan programs, which are difficult to estimate. In some cases, data for 1974-75 are actual expenditures, rather than appropriations.

[2] Reductions in veterans' benefits are estimated on the assumption that the number of veterans enrolled in higher education will decline at the same rate as in the case of Korean veterans.

TABLE 2.—APPROPRIATIONS FOR COMPREHENSIVE STATE UNDERGRADUATE STUDENT AID PROGRAMS, FOR STATES WITH PROGRAMS IN BOTH YEARS, 1969-70 AND 1972-73

State	Appropriations		Increase, 1969-70 to 1972-73
	1969-70	1972-73	
California	12, 288, 475	27, 828, 955	15, 540, 480
Connecticut	877, 500	1, 679, 095	819, 595
Illinois	26, 000, 000	51, 400, 000	25, 400, 000
Indiana	3, 080, 000	8, 830, 884	5, 750, 884
Iowa	1, 762, 500	4, 235, 000	2, 472, 500
Kansas	150, 000	1, 147, 000	997, 000
Maryland	2, 900, 000	3, 263, 500	363, 500
Massachusetts	2, 000, 000	8, 000, 000	6, 000, 000
Michigan	12, 500, 000	13, 826, 000	1, 326, 000
Minnesota	775, 000	4, 700, 000	3, 925, 000
New Jersey	11, 850, 000	25, 687, 457	13, 837, 457
New York	58, 800, 000	80, 100, 000	21, 300, 000
Oregon	815, 400	1, 180, 000	364, 600
Pennsylvania	51, 909, 000	60, 458, 000	8, 549, 000
Rhode Island	1. 500, 000	1, 900, 000	400, 000
Vermont	1, 099, 255	2, 505, 000	1, 405, 745
West Virginia	175, 000	425, 000	250, 000
Wisconsin	2. 950. 000	4, 585, 000	1, 635, 000

Source: Boyd, J. D.: "An Examination of State Efforts in Removing Financial Barriers to Postsecondary Education," 1969, table L, p. 14; and "1972-73 Undergraduate Comprehensive State Scholarship/Grant Programs," National Association of State Scholarship Programs, 4th annual survey, Deerfield, Ill., 1972.

STATEMENT OF DR. MARGARET S. GORDON, ASSOCIATE DIRECTOR, CARNEGIE COUNCIL ON POLICY STUDIES IN HIGHER EDUCATION

Ms. GORDON. First of all, I would like to express my appreciation for the opportunity to present the views of the Carnegie Council. I would also like to express Dr. Clark Kerr's regrets that he could not appear in person. He had prior commitments.

I testified before the subcommittee last June at some considerable length on the recommendations that had been made by the Carnegie Commission on Higher Education over the course of its 6 years of studies and reports.

Today I am going to be talking about the recommendations that have recently been made public by the Carnegie Council on Higher Education in its report entitled, "The Federal Role in Postsecondary Education". I am not going to be commenting specifically on the provisions of H.R. 3471, because it has been a long standing policy of ours not to take positions on particular bills, but rather to present our own recommendations and let others draw their own deductions about how they differ from provisions in the particular bill.

In approaching our review of title IV and other federally supported postsecondary education programs, including support of graduate education and research, we recognize that the economic situation today is quite different from what it was during most of the history of the Carnegie Commission, and it is even different from what it was last June when I testified previously before this subcommittee. We realize that it is not realistic to expect Congress to adopt sudden, dramatic increases in Federal funding of the various programs in title IV. So we have worked out a program in which full funding would gradually be reached over the course of the next 5 years, in other words, by 1979–80.

We have estimated the net increase in expenditures that this would involve, allowing for an estimated reduction in expenditures on veterans' educational benefits as the Viet Nam veterans move into older age brackets and enrollment of veterans thus declines. We present in chart 2 of my prepared statement the changes that this would imply in expenditures, and we have estimated what we regard as full funding of several of these programs.

In other words, we believe that appropriations should be such that the basic educational opportunity grants program and several of the other programs that we stress in our recommendations should become entitlement programs. I think the language in the existing title IV suggests that the basic educational opportunity grants program was intended as an entitlement program, but clearly it has not been treated so in the appropriations process.

Now I come to the specific recommendations that we make on existing programs and one important new program which we propose. I would like to stress in approaching this discussion that the recommendations that we are making are very closely interrelated and that some would not stand logically without the others.

First of all, with respect to the BEOG, we recommend that the maximum grant be gradually restructured to cover 100 percent of noninstructional costs of education. You will recognize that this as the proposal that was originally made by Lois Rice of the college entrance examination board. I would like to point out that although Lois Rice is now a member of the Carnegie Council, the council decision to support this particular proposal was made before she became a member of that body. She would like that to be made clear.

Since this is one of our most important recommendations I would like to spell out the reasons for it.

First of all, the most feasible option for many low income students is attendance at a law-cost nearby college. Now, the present restriction to 50 percent of total cost means that he is not in a position to get his noninstructional costs covered, and that may be his most serious need. So that we think that this provision would increase opportunity for low-income students.

Second, noninstructional costs do not vary much across the States and thus a single Federal provision covering noninstructional costs would be equitable on a nationwide basis.

Third, if we shift other student aid programs to cover tuition and required fees exclusively, this would create a clear-cut division of function between the BEOG program and those other programs.

Finally, and I think this is a very important consideration, it is the States that determine tuition in public institutions of higher education, and that increasingly are framing provisions for aid to students and in some cases to institutions in private higher education. Thus we think that to shift to the State student incentive grant program the major burden of providing aid to cover tuition costs would be logical. The States would become the primary decision makers in framing of those programs.

Mr. **Brademas**. Dr. Gordon, may I interrupt to ask you a question. Do you use the phrase "noninstructional" as interchangeable with "nontuition", or does "tuition" mean "instructional"?

Ms. **Gordon**. Tuition means any charge the student makes for his instructional cost plus required fees in some cases, and noninstructional covers subsistence plus educational costs such as books and transportation.

We recommend gradual liberalization of the eligibility conditions, but only as funds are increased so that students currently in the income range receiving aid would not be jeojardized by this liberalization.

We recommend disregarding nonliquid assets such as ownership of a farm or home.

We estimate that the current costs of full funding of this recommendation, which would involve a $1,600 a year ceiling on the grant, would be currently about $1.9 billion, and would move up to about $2.1 billion in constant dollars by fiscal 1980.

Now, with respect to the supplementary educational opportunity grants program there has been a great deal of criticism of the way in which that program has operated. I will not attempt to cover that fully. I think that the members of the subcommittee are familiar with the findings to the effect that the size of grants has not tended to vary with financial need in that program, and that the neediest students are frequently left out.

The allocation problem is serious. We recommend that the SEOG program gradually be converted to a residual program, and that the savings involved be transferred to the State student incentive program. Moreover, if our recommendations with respect to full funding of the SSIG program and the new tuitions equalization grant program that we propose were to be implemented then, the SEOG program would tend to become a residual program for States that did not come up with adequate matching funds, that is, for students in those States.

We would like to see the SSIG program gradually converted to an entitlement program for instructional costs only. In any case, the programs in most of the States now cover ony instructional costs. This involves estimating what the cost of full funding would be to provide full tuition grants for students from the lowest family income quartile, and about one-half of full tuition grants for students from the next lowest quartile. We have estimated those costs, and have made allowance for continuation of some private student aid funds. We have also recommended moving the base date for Federal matching back to 1960–70, because many of the States that have long-standing scholarship programs like New York and Pennsylvania complain that most of their scholarship expenditures do not get matched with the 1972–73 base date, and we think this would be more equitable.

So we come up with a net Federal-State cost for this program in 1979–80 of about $1.1 billion. The Federal share would be $560 million, but from that would be subtracted the $190 million that was spent on State scholarship funds in 1969–70 which would not be eligible for matching. The net increase of $370 million for the Federal share of full funding is relatively modest.

Now the States, as you know, have made rapid progress, and it seems apparent that the SSIG program has stimulated that progress. We also recommend that the criteria for Federal matching be expanded so that scholarships would have to be available to students attending both private and public institutions, which is not true in all of the States.

Second: Those scholarships would be portable from State to State. That is a somewhat controversial recommendation in the eyes of some State educators. But we think it is important to move toward it, because if we are to move toward basically State responsibility for tuition aid, with the help of Federal matching funds, then restriction of tuition grants to students attending colleges within the State could interfere seriously with the mobility of students from State to State. An alternative would be some kind of incentive to States that provided portability in the form of larger matching funds or reciprocal agreements between States.

Now I come to the major new program we recommend, the tuition equalization grant program. There is widespread realization that the survival of private higher education is in serious jeopardy. Its share of total enrollment has been going down rather drastically, and this is likely to continue, unless some decisive step is taken to aid private institutions. The widening tuition gap is clearly a major cause, if not the only cause.

There is a tradition of State and public support for private colleges that goes back to the colonial days, and sometimes it is forgotten, I think, in our present discussions.

What we propose is that students who attend private institutions would receive some portion of the educational subsidy that goes to students attending public institutions. Students attending public institutions pay tuition, of course, that represents only a portion of their educational costs. On the average, across the country in 4-year public institutions, we estimate that the educational cost per student is about $2,000, and that tuition averages about $500. This means that the average educational subsidy in 4-year institutions is about $1,500, and we propose a tuition equalization grant of half of that amount, or $750, in a matching Federal-State program under which the Federal portion would average $375 per FTE student.

The actual educational subsidy, of course, varies a good deal among States. The differences are explained by variations in tuition in public institutions more than by variations in educational costs. Thus the States would have to frame their own programs to meet their own situations, but the Federal grant would be based on the average situation.

The estimated cost by 1979-80 of this program, assuming that private institutions hold their present share of enrollment, is about $645 million for the Federal-government and the same for the States.

Students, incidentally, could not get both a scholarship under the SSIG program and the tuition equalization grants. The tuition equalization grant would be subtracted from the scholarship the low income student would receive, but all students attending private institutions would receive the tuition equalization grant without a needs test.

Now I come to the college work study program and I will be brief on that. We have taken the position that there is a special case for an increase in the funding of the college work study program at a time when jobs in private employment are less available to students than normally and when Congress has been moving to increase funds for public service employment.

The House has moved ahead and adopted an increase, so I don't really need to press that point very much. We recommend 500 million by fiscal 1976 and 700 million in constant 1974 dollars by fiscal 1980 for the college work study program. We also recommend gradual removal of the needs test. We think this should eventually become a program which would be available to help middle income students, and we would like to see greater relative emphasis on employment in public and nonprofit agencies other than colleges and universities. However, we do not agree with recommendations for extending these programs to private employment.

Now, on the subject of loans, in my testimony last June I discussed the weaknesses of the existing loan programs at some considerable length. My statement today includes potentially the same discussion of weaknesses of existing loan programs that I presented last June, and I am not going to repeat all of it.

But we do recommend gradual phasing out the existing loan programs, with all of the problems that they present, and replacing them by a national student loan bank. We think that, now that Sallie Mae is operating, the process of converting Sallie Mae into a national student loan bank might not be a very complex or difficult one.

In urging the phasing out of the existing loan programs, some of the more important considerations that we have in mind are: (1) The fact that the guaranteed student loan program is inherently inequitable, in that students from various socioeconomic groups do not really have equal access to loans from the local bank; (2) that the growing problem of defaults is partly inevitable, in that banks essentially have no incentive to collect funds when the Federal Government insures the loan; and (3) there is a very uneasy relationship between the direct student loan program and the guaranteed student loan program with respect to the different interest rates involved and the question of which students get preference under the direct student loan program.

The National Student Loan Bank program that we propose would be available to all students on an equitable basis. There would be deferred interest while enrolled, but no interest subsidy. The repayment would be in terms of a percentage of income, but it would not be redistributional. Low earners would take a longer time to repay than those with high incomes who, on the basis of a percentage of income, could repay the entire loan in a relatively short period of time.

A major feature of the National Student Loan Bank proposal, which I grant has been controversial in the eyes of many Congressmen, is collection through the Federal income tax. But ultimately it seems to me that this is clearly the most logical way of controlling the problem of defaults.

Looking toward the future, we all recognize that the problem of the student declaring himself independent of his parents in applying for student aid is a growing one, and most financial aid officers feel that, if that trend continues or if we ever get a court decision which declares that parents cannot be held liable for their adult children age 18 and over, we will have to turn to heavier reliance on loans.

It would be extremely costly to provide grants for all students, because, if they were all independent, virtually all could show that they were needy.

Now, in closing, I would like to point out that we recommend continued support of some programs that I have not discussed, such as programs for the disadvantaged and the developing institutions program. We also recommend more effective coordination of all of the student aid programs through working toward single family eligibility conditions. This would include the State programs under SSIG as well as the Federal programs. In addition, we recommend careful coordination of appropriations handled by different committees or subcommittees. This would be essential if we are to apply the savings from the veterans' program to the other student aid programs.

Finally, although I have concentrated on the student assistance programs, and I know these hearings are confined to the student assistance programs, I would like to say that we regard funding of the cost of education supplements in the 1972 amendments as part of a move toward universal access. We think that the most potent argument in favor of those cost of education supplements is that they accompany the low income and often the disadvantaged student who enrolls in an institution.

Frequently those students need special educational help, and that is costly to the institution. The experience of the City University of New York, with its open admissions program, indicates how that kind of program could benefit if institutions received cost of education supplements, even though the expenditures would not be confined to special programs for the disadvantaged. They would continue to be general institutional aid as the 1972 amendments contemplated, but institutions could use the funds for special purposes. We do not think that the provisions for cost of education supplements involve the same kinds of dangers as institutional aid in the form of capitation grants, that is, the danger that the States might pull back from their traditional form of support and we would eventually find ourselves with a monolithic Federal system of higher education. However, the provisions need rewriting. They are unnecessarily complex in their present form, and we do not see the justification for such complexity.

Thank you very much.

Mr. BRADEMAS. Thank you very much. Thank you for a most thoughtful statement and I would express my own appreciation and I am sure that of the subcommittee to you and the Carnegie Council as well as to Dr. Kerr and the predecessor Carnegie Commission on Higher Education for the work you have done which I think you are aware has made a substantial contribution to the shaping of Federal aid to higher education.

I have two or three questions and the House is in session and so we are pressed. I might say that unless there is objection, or if Mr. Eshleman would agree, it might be helpful if Dr. Gordon would be willing if after Members had to go to the floor, would you be willing, Dr. Gordon, to allow the staff director of the subcommittee, Mr. Harrison and Dr. Andringa and Mr. Mooney to put questions to you on these matters?

Mr. ESHLEMAN. That is fine.

Ms. GORDON. Yes.

Mr. BRADEMAS. Now this goes back, and my questions will be rapid. Could you clarify, and this is something I alluded to earlier. What do you mean by BEOG based on instructional?

Ms. GORDON. Noninstructional?

Mr. BRADEMAS. Noninstructional cost. Can you clarify that a little bit? What can the money be used for?

Ms. GORDON. Well, I would say that the College Entrance Examination Board has developed standards for what can be included in noninstructional costs and most people use their figures—they include an allowance for subsistence, an allowance for expenses that are clearly associated with education, such as books and supplies, and an allowance for transportation, which varies, of course, depending on whether the student is a commuter or is a resident student.

The latest figures we have are for 1974–75, which show that the average cost of these expenses for commuters is about $1,600 and for students who live in dormitories or live at the colleges is about $1,900.

We are proposing for the present a ceiling of $1,600 on the grant that would be available and the maximum grant, of course, would be available only to the neediest students.

Mr. BRADEMAS. My second question goes to the proposal for tuition equalization grants and would this be dependent in your view on the needs of the students or does the student get it automatically?

Ms. GORDON. No. This would be on a nonneeds-tested basis and would go to all students attending private institutions, assuming the State adopted the necessary implementing legislation.

Mr. BRADEMAS. In that event, if the student were not needy, in effect he becomes a mechanism for pass-through of what really is a form of institutional aid.

Ms. GORDON. That is right. It would have the effect of institutional aid, but we think there are some advantages in having the funds flow through the students in terms of less danger of interference by the State government with the operation of private institutions.

Mr. BRADEMAS. Now how do you justify that, and I speak of one who represents Notre Dame and St. Marys and Harvard and others, so I am referring to higher education, what do you say to those who say, well, you have this form of tuition equalization grants for the privates, regardless, I take it, of the economic status of the institution, how do you reply to the question, first, of no variety in respect of economic status at the institution and, second, no similar operation for public institutions that may be in worse need economically than a private institution?

Ms. GORDON. Well, Mr. Chairman, I started out by pointing out that the student attending a public institution does receive an educational subsidy without a needs test. All students who attend public institutions pay tuition that covers only a relatively small proportion in most cases of educational costs. Therefore, our proposal does not in any sense, I think, grant special favors to students attending private institutions because what we propose is that those students would receive one-half of the educational subsidy at the comparable public institution.

This would vary by levels of institutions, and it would vary among States because tuition in public institutions varies a great deal. But what we are saying, to put it in somewhat broader terms, is that private higher education provides social benefits as well as public higher education, and therefore there is a justification for a subsidy to private higher education along with public.

Mr. BRADEMAS. The only problem I have, and I am putting questions to you so you can have an opportunity to hold your arguments, because you will need to do that, I think, but you just replied by telling me of the subsidy that the student gets who goes to a public institution but earlier you admitted that your tuition equalization grant was particularly with respect to non-needy students, a form of pass-through for aid to private institutions.

Ms. **Gordon**. That is right.

Mr. **Brademas**. So you are talking, it seems to me, about apples and oranges in that in the former case with respect to the students who go to public institutions you did not justify the public assistance that is provided as institutional aid but rather as aid to students, if I did not misunderstand you?

Ms. **Gordon**. Well, I never said that the educational subsidy in public higher education is aid to students. It is clearly institutional aid.

Mr. **Brademas**. All right, I wanted to get that very clear because when we talk about a tuition equalization grant it is couched in the form of aid to students but in point of fact it is a method of getting aid to private institutions.

Ms. **Gordon**. That is right. I would agree to that and I think it is very clear. But we take the position that it is a preferable means. As you know, some eight or more States now have institutional aid to private higher education. We think that trend is likely to lead to increasing interference with the operation of private higher education, and this would be a preferable way of achieving the same objective.

Mr. **Brademas**. You remain committed, as you said, to the general aid provision in the 1972 act?

Ms. **Gordon**. The cost-of-education supplements, yes, but we regard that as a special kind of institutional aid because the supplement goes along with the low income student who gets a student grant.

Mr. **Brademas**. It is not always the low income student, Dr. Gordon. You will recall that fundamental to an understanding of the philosophy of BEOG was need, not necessarily income, and in that the BEOG's are a part of the formula for providing educational allowances and it is not accurate to say that the cost of educational allowances are tied to low income students. It may be tied to students with need. Do you appreciate the distinction?

Ms. **Gordon**. I think it is a subtlety I have been a little careless about.

Mr. **Brademas**. It is important because it explains why there is a BEOG law on the statute books. If you go back and listen to the hearing debate on it, you will appreciate the significance of the points I am perhaps not eloquently making.

I have two other quick questions about SSIG portability and I will stop here and let Mr. Eshleman take over and let somebody else ask the questions. Thank you, Dr. Gordon, for your very excellent testimony.

Mr. **Eshleman**. We have to leave in a couple of minutes. I just want to pursue the legislation where we are considering abolishing assets altogether. I think you said that you would recommend that non-liquid assets—well, have you made up a definition of liquid and non-liquid?

Ms. Gordon. Not in careful legal terms, no.

Mr. Eshleman. You mentioned farm and home ownership.

Ms. Gordon. Yes.

Mr. Eshleman. You wouldn't limit non-liquid assets to just those two things?

Ms. Gordon. No. Actually, I wouldn't want to press this distinction too far. We formulated our recommendations before H.R. 3471 was introduced and did not anticipate that the subcommittee would be considering a proposal to disregard all assets.

Mr. Eshleman. Would you exclude the first thousand or two of the savings account?

Ms. Gordon. Surely. I think we would consider any reasonable provision which would exclude some portion of a savings account.

Mr. Eshleman. Pennsylvania has a $50,000 limit, that I am sure you know. In other words, anybody under that would be non-liquid and anybody over that is liquid. Does that sound feasible?

Ms. Gordon. Well, that might make some sense, although I can think of situations in which a large family might have a $50,000 and home and would still be able to show need. I really don't want to get into detail on this, because our recommendation is a rather general one.

Mr. Eshleman. If, at a later date, when counsel deals with more specifics on assets, I would be glad to receive your comments.

Ms. Gordon. Yes.

Mr. Eshleman. Mr. Buchanan.

Mr. Buchanan. No, I have no questions because you anticipated my line of questions. I thank you so much for your statement.

Mr. Eshleman. I officially adjourn this meting until 9:30 tomorrow morning but unofficially we will stay and the staff of both the majority and minority will question at this time and the testimony will be in the record.

[Whereupon, at 12:20 p.m., the subcommittee adjourned until the following morning. At the direction of the subcommittee, staff members discussed the issue further with the witness, and the ensuing dialogue is printed below.]

Mr. Harrison. Let me say, as long as we are on the record, I know that Mr. O'Hara does regret not having been here this morning. He will be reading your testimony with the kind of attention he gives to the very best testimony we get.

I have a couple of questions, conceptual questions which I would like to ask you, Ms. Gordon, about the Carnegie Council suggestions.

I remain confused about the difference in concept between a nonneeds based automatic tuition equalization grant to every kid or through every kid who goes to a private school and a straight capitation grant to the private schools.

Ms. Gordon. Well, first of all, let's distinguish between capitation grants by the Federal Government and by the State. Well, we are not talking about a direct Federal program of aid, but rather about matching grants for State programs which would be framed by State legislators. The Carnegie Commission, as you know, was strongly opposed to any Federal capitation grants, because this was basically the form in which the States had traditionally aided public higher education, and it was felt if the Federal Government came in with that sort of support the States would gradually fail to increase their share, and we would be moving toward a monolithic Federal system.

Now, let us consider capitation grants by State governments to private higher education. There has been a significant trend in that direction. New York has the best known program, the Bundy aid, so-called. We think that the tuition equalization grant proposal has advantages over a continuation of that trend toward direct institutional aid to private higher education. It does involve a careful or meticulous analysis of the cost of private higher education, for example. It says in effect that students going to a public institution get a certain educational subsidy. Let's provide a part of that subsidy to students attending private higher education.

Now, that subsidy is going to represent a larger proportion of the costs of a low-cost private institution than it will of a high-cost private institution. If we examine variations in costs in private higher education, as I have done on a number of occasions, what we typically find is that costs are high at the most selective private institutions, which also charge the highest tuition fees, and which have high costs because they have large endowment funds on which they can draw. Yet at the same time their tuition often represents a lower proportion of the total cost than in the case of the less well-endowed private institution which is heavily dependent on tuition for its income.

So that I think this proposal is really geared to be of particular significance in aiding the relatively low-cost private institutions which are the ones that are in the most severe jeopardy. They can't raise their tuition much more than they already have and continue to attract students in the face of the competition of low-cost public higher education.

Many of them are really very close to having to close up if they don't get some decisive kind of financial support, public financial support.

Mr. HARRISON. You are saying they can't raise their tuition much more. Are you saying, in effect, the product, the educational product they put on the market is really not worth much more in terms of its competition?

Ms. GORDON. No, I am not really saying that. What I am saying is that students have a choice, of course, of going to a low-cost public institution and increasingly they are opting for that choice. Just in the last 10 years or so, actually less than 10 years, enrollment in private higher education declined from about 30 percent of the total to 22 percent at the present time. I think this trend is going to go on unless something is done.

Now, because I was condensing my testimony and trying to keep within a time limit, I didn't state the case for survival of private higher education. We would state the case, I think, in terms of three main arguments.

One, that private higher education contributes to diversity. Second, the existence of many excellent private institutions of higher education has had the effect of improving quality in public higher education, as our system has developed in the United States. And, third, that the existence of private higher education helps to protect academic freedom in public higher education.

Mr. MOONEY. Dr. Gordon, I hope you don't mind if we pursue this for awhile. As I am sure you know, the financial situation of private institutions, the financial difficulty of both private and public institutions and different segments of the private higher educational community and different segments of the public higher education community, this was perhaps the most difficult issue faced by Congress in the amendments of 1972, at that time they were framed.

Ms. GORDON. Right.

Mr. MOONEY. Indeed the Carnegie Commission played a substantial role in helping various Members of Congress to decide as to a formula for some kind of institutional aid and of course the kind of institutional aid eventually enacted was the cost of education supplements program.

May I ask why the Carnegie Council has now decided to advocate a kind of aid which most of us assumed was contrary to the policy of the Commission 2 or 3 years ago? I refer back to Mr. Brademas's comment with respect to this having the effect of a pass-through in the absence of a needs test.

Ms GORDON. First of all, we are not proposing this aid come directly from the Federal Government.

Mr. MOONEY. Well, now, you are proposing that 50 percent come from Federal Government.

Ms. GORDON. Yes, we are proposing that 50 percent of the cost come from the Federal Government, but the legislation would be framed by the State. The grants would actually be administered by the States. The States would have to gear their legislation to the very different conditions prevailing among them.

Mr. MOONEY. All right. But I think this is clear.

Ms. GORDON. The Federal Government's role would be a passive one. That is, it would decide on some date each year which would determine what total FTE enrollment in a private institution in a given State was and $375 multiplied by that enrollment would determine the Federal portion of grant.

I don't see this as getting the Federal Government involved in very much interference.

Mr. MOONEY. You are attacking the wrong strawman, I am not suggesting it would get the Government involved. But my point is you are not talking about revenue sharing but a categorical aid program.

Ms. GORDON. That is right, not general revenue sharing but a form of specific revenue sharing.

Mr. MOONEY. In response to Mr. Harrison, you suggested the main part of your argument for this type of program is founded on the financial condition of certain kinds of private colleges and universities.

Ms. GORDON. Yes.

Mr. MOONEY. Are you aware in the 1972 amendment in the cost-of-education grant formula, we took special pains?

Ms. Gordon. Yes; I am aware of that.

Mr. Mooney. I was amused.

Ms. Gordon. At least, I assume that what you are referring to is the gradual reduction of the supplements with increasing size of institutions, which tends to favor private colleges.

Mr. Mooney. There is a weight in there for smaller institutions and the way, in addition to the weight, that the money is divided, according to the 45–45–10 formula was carefully considered in terms of the results.

Ms. Gordon. Yes. I think it is probably pertinent to comment in this context that, in part, the reason for proposing a tuition equalization grant program at the present time is that we are not very optimistic about any move toward funding of the cost of education supplement. Several of the key members of this committee, as you know, have expressed opposition to funding of cost-of-education supplements.

I am not referring to Mr. O'Hara, who has not really taken a position.

Mr. Harrison. His position is one of skepticism.

Ms. Gordon. Mr. Quie has come out quite clearly against funding those provisions, so in a sense we are looking for some alternative means of aiding private higher education.

Taking the realistic view, it is not too likely those costs-of-education supplements will be funded.

Mr. Mooney. It is not too likely. As a matter of fact, it is manifestly unlikely so long as nobody pushes for it being funded.

Ms. Gordon. Yes. Well, we are continuing to support such funding.

Mr. Mooney. As a sort of theoretical proposition?

Ms. Gordon. No; not as a theoretical proposition, but as genuine support. But we are also making another proposal which we think deserves careful consideration.

Mr. Andringa. I think this is an important philosophical train of thought that our Members, if they understand it, can then judge where they might want to go on a program. We talked here many times about costs when really we are talking about price. I know we don't have really sound data on costs——

Ms. Gordon. Well, we have done a fair amount of analysis of costs by taking data on total educational expenditures of institutions, subtracting all or a part of research expenditures, depending on what the purpose of the analysis is, weighting graduate students because of their higher costs, and coming up with an estimate of what undergraduate FTE costs of education are.

Mr. Andringa. Could you generalize then, for the undergraduate level, between the costs for, say, the 4-year private college and the 4-year public college? Could you make a few statements generalizing about costs?

Ms. Gordon. I did generalize for the 4-year public institutions. I said the average was roughly $2,000. I think that is close enough for a general average Federal matching program. I also said that in 4-year public institutions, tuition tended to average about $500, and that involves splitting the difference between the universities which have slightly higher tuition and the 4-year State colleges.

Now, in private higher education it seems to me the cost situation is rather different. The cost of private institutions varies enormously. There are, for example, some of the Catholic colleges which still rely on priests or nuns for much of their faculty and whose actual costs are very, very low because their faculty costs are low.

On the other hand, places like Harvard and Princeton which are heavily endowed and have very high costs of education—much of it, of course, attributable to their graduate programs—but, nevertheless, they also have higher costs in undergraduate education because faculty salaries tend to be high in those institutions.

Mr. ANDRINGA. That is what I was getting at, but drop out the unusual 50 of the 1,500 privates.

Ms. GORDON. Take out the Carnegie research universities and selective liberal arts colleges, which tend to be high cost institutions.

Mr. ANDRINGA. But is it fair to discuss undergraduate costs in the independent and public sector as roughly comparable?

Ms. GORDON. Well, frankly, Bob, I find that question a little bit difficult to answer because I have never looked at the data with reference to that particular question. My guess is that, for example, at St. Louis University, its actual undergraduate FTE costs would probably not be very different from the University of Missouri, but St. Louis University is for more dependent on tuition.

Mr. ANDRINGA. Well, I think we are getting more detailed than the point I was trying to arrive at. Jim said in response to one of your comments that maybe students did not find it worth paying more. The implication is that somebody is paying more to go to a private college. I guess my thought is, someone is paying roughly the same thing for the education provided at a typical undergraduate institution.

Now that is on a per student basis. In the public sector, it happens to be taxpayers who pick up a great share and in the private sector it happens to be students picking up more of it.

Mr. Brademas is starting or resuming hearings on child day care.

Now one way the Federal Government could move is to allow private organizations to help provide the service, just as in health care. We may opt as a matter of national policy that the Government's benefits go to all of the people because it is something that we are trying to provide for all of the people. But the providers of the service, whether it is in day care or medical care or in higher education, might be public or they might be nonpublic.

So a Member has a hard time arguing the philosophy that we should allow both to exist and allow the student his choice if, in his mind, he thinks that one is a Cadillac and one is a Ford in terms of their true costs.

Ms. GORDON. Yes. Well. Bob, it seems to me that the proposal that we are making, as I tried to point out before, would go much less far toward financing the Cadillacs than the Fords.

Mr. ANDRINGA. Well, I understand. Let me try another line with you.

Ms. GORDON. And I might add in private higher education, the Cadillacs get financed in large part by private funds. Princeton, I have been told, has the highest annual alumni giving of any institution in the country.

Mr. Andringa. When we think of 1,500 institutions it does not help to have Harvard, Stanford, and so on use this.

Ms. Gordon. Well, I was saying the help they would get from this kind of program would represent a considerably smaller proportion of their educational cost.

Mr. Andringa. I understand. You mentioned that all of your recommendations are tied together.

Ms. Gordon. Yes.

Mr. Andringa. And you should not look at one without looking at the total.

Ms. Gordon. Yes.

Mr. Andringa. Now I see at least two problems with the tuition equalization. One is that there are, according to statistics from NCES, something like 688 collegiate institutions with fewer than 500 students.

Ms. Gordon. Yes.

Mr. Andringa. 611 of those are private.

Ms. Gordon. Yes.

Mr. Andringa. I think there is a real question in the Members' minds as to whether or not you provide $750 or whatever to private institutions when there are so many that in this day and age may not survive? That is just an impression some Members have.

The other problem is more political. The kind of money you are talking about would tend to flow, most of it, to fewer than a dozen States. Not only do you have the tradition of trying not to distinguish between public and private, but now you come forth clearly with a private-oriented program, and not only that but one in which most of the funds are going to flow to a relatively small number of States, each of which has only two Senators in the other body.

Ms. Gordon. Yes, let's take your second question first because my answer to that is an easier one. You will recall in our analysis of low tuition, and that report will be published very soon, that we explored the possibility of a program of Federal grants to the States geared to trying to hold tuition down in the first 2 years of college. We found that tuition in public institutions tended to vary with the proportion of total enrollment in private institutions. Thus the public educational subsidy tends to be lower in States with large private sectors.

I don't have a particularly good answer to your first question, because I am well aware of the fact that some of the smaller private institutions are uneconomically small.

We have analyzed economics of scale in higher education and have found that there are significant economies of scale up to a certain size. Certainly under 500 is an uneconomical size, because there has to be a certain core of faculty to run any kind of acceptable institution of higher education, and the student-faculty ratio clearly increases with increases in size.

Mr. Mooney. It is amazing how quickly we can resurrect old policy arguments that went on here 3 or 4 years ago.

Mr. Andringa. We are still undergoing them. But I guess what I was getting at is if, for whatever reason, Congress decided that tuition equalization grants were not feasible, would that then affect some other recommendations in the package?

Ms. **Gordon**. No, I would not say that, Bob. What I had in mind primarily is that converting the BEOG program to a program which would cover noninstructional costs only would not be desirable unless, for example, the increases that we recommend in the funding of the SSIG program were carried out.

I think those are the two most interdependent programs. The tuition equalization grant stands on its own as a program to be defended or attacked on its own merits.

Mr. **Mooney**. That is an exception to your general statement?

Ms. **Gordon**. Well, it is something of an exception, although there are relationships among all of our recommendations and, as I pointed out, in estimating the cost of SSIG, we subtracted the cost of tuition equalization grants that would go to the lower income student who would qualify for SSIG aid. Thus, with respect to our cost estimates, there is interdependence.

A student would not be entitled to both.

Mr. **Andringa**. I sense a relationship between that and your SEOG.

Ms. **Gordon**. There is a relationship, but the other parts for example, the reduction in relative importance of the SEOG program and the substantial increase in the scope of SSIG, are closely related. I don't think, for example, that we would want to see the funds for SEOG cut down unless those for SSIG were correspondingly increased.

Mr. **Andringa**. You indicated that you had come up with this idea prior to Lois Rice's joining the Council, and I pursued these questions with her and maybe you can give us a new perspective. Let's assume we wanted to go that way. So we have to start drafting to implement that philosophy. Which figure in the formula would you use for nontuition cost? Would it be a national average?

Ms. **Gordon**. Well, the figure that we are proposing currently—there might be a case for adjustiing it upward as costs increase at some later point—is a ceiling of $1,600, which is equivalent to the CEEB average of commuter costs nationwide.

Mr. **Andringa**. Let's say then that BFOG's are going to be related to a $1,600 figure for noninstructional costs. If that is an average, that means that several thousand institutions have noninstructional costs below that average?

Ms. **Gordon**. Not noninstructional costs, they do not vary that much. That is one of the arguments for this proposal. If we consider noninstructional costs, particularly commuter costs, there are some variations from region to region but they are not very wide. They are nothing like the variations in tuition.

Mr. **Andringa**. Well, I am looking at some CSS data and that is true. What is the tuition differential now, 5 to 1?

Ms. **Gordon**. Average private-public, yes, about 5 to 1.

Mr. **Andringa**. Let's say the noninstructional cost differential is 2 to 1 or even less. You do have to answer the question, though, in implementing the thing. What happens when an instructional cost for a particular student is less than the average figure?

Ms. **Gordon**. Well, the student would not get more than his full cost.

Mr. **Andringa**. For noninstructional cost?

Ms. **Gordon.** Yes.

Mr. **Andringa.** So he couldn't slide over to cover part of his other costs?

Ms. **Gordon.** The grant would be geared to the noninstructional costs and the student would not get more than his full noninstructional cost, according to whatever standards were established.

Mr. **Andringa.** Who should do that?

Ms. **Gordon.** Well, in the present BEOG program that is done actually, because the program has a maximum of one-half of total student cost and one-half of total student costs are defined to include instructional and noninstructional costs in some detail.

Mr. **Andringa.** Let's take transportation—5,500 schools, I don't know how many millions of kids—someone decides for each student how much goes for transportation?

Ms. **Gordon.** Yes.

Mr. **Andringa.** Who decides?

Ms. **Gordon.** Under the present program?

Mr. **Andringa.** There are limits.

Ms. **Gordon.** There are limits, yes.

Mr. **Andringa.** Room and board is either actual or within a limit?

Ms. **Gordon.** Yes.

Mr. **Andringa.** Why would a school estimate transportation at $300 if OE allowed $350?

Ms. **Gordon.** Well, I think that is a highly technical question.

Mr. **Andringa.** I mean why wouldn't every school estimate noninstructional cost to be exactly the maximum that the law or the regulations allow? Because it is all very rough estimating.

Ms. **Gordon.** Well, doesn't that happen under the present provision? I don't see that that is a particularly compelling argument against going to noninstructional cost.

Mr. **Andringa.** Right. But when you push on implementing noninstructional costs, you get down to using averages and having someone set limits. We are talking about over 1 million students where some only commute 50 miles a day and some actually walk and so forth. Using averages gets away from noninstructional cost for individual students. But you are really talking about setting a dollar figure. The reason we might have come up with a $1,600 figure might be because it approximates what the college board said was the average noninstructional cost, but I don't see any reason beyond that that it is a rationale to arrive at $1,600. Why not stop there? Why say that the BEOG program is for noninstructional cost only?

Ms. **Gordon.** Well, in practice, assuming that the student is qualified for the maximum grant, let us say, to take one kind of example, because of his needs, and after all the needs determine who gets the maximum grants.

Mr. **Andringa.** Not need, but expected contribution.

Ms. **Gordon.** Expected family contribution, yes. That student could decide to use part of those funds for his tuition.

Mr. **Andringa.** So if he did walk a mile to the local community college say in California and we gave him $1,600?

Ms. GORDON. He wouldn't have any tuition at the local community college in California. He might in some other State.

Mr. ANDRINGA. Say he qualified on the basis of expected contribution for the maximum grant, which is $1,600, now that community college did figure in, when it submitted to the college board our average student needs this much for transportation and this much more books and so on, but what you are saying, if he could walk to school and live at home and if he bought books used at $100 instead of the estimated $300 you are saying that even if there were tuition there or fees of $70 or whatever, he could pay it, so you are not really—well, you are really giving the student money to pay his total bill, are you not?

Ms. GORDON. $1,600 is not going to come close to the total bill.

Mr. ANDRINGA. You are really allowing the family, well, he is not paying room and board charges at a college but you are recognizing it costs his mother and father this much?

Ms. GORDON. I have argued in a number of statements I have written, and the Carnegie Council would argue, that the lower the family income the more difficult it is for the student to meet his subsistence costs, and that is one of the arguments in favor of going in this direction.

In a family with very low income, foregoing earnings is a real sacrifice, that is the earnings the student would get if not enrolled in school. They are not a terribly meaningful sacrifice in a well-to-do family. Therefore, even if there is a low cost community college available, or no-cost one, as in California, coming up with those subsistence costs is a burden on that family because the student is usually not earning while he is in college if he is going full-time.

Under the current provisions, he usually cannot get more than half of those noninstructional costs. So, part of the thrust of our argument is to get away from that 50 percent limitation.

Mr. HARRISON. Before we get to the red Corvette, I wonder if we could go to another issue. You are being very generous with your time. On the National Student Loan Bank, would you explain to me how that would have a favorable impact on the default rate? I gather from your cost figures in your paper you assume it would.

Ms. GORDON. Well, because one of the features of the proposal is that repayments be made through the Federal income tax.

Mr. HARRISON. Is it just a tougher collection arrangement?

Ms. GORDON. So the IRS would police these repayments in the normal course of policing the income tax.

Mr. MOONEY. Are you proposing now that the relationship, the legal relationship which presently exists between the Service and the taxpayer should be carried over to the collection of these loans or are you suggesting the IRS should administer this according to the existing debtor-creditor relationship under the uniform commercial code?

Ms. GORDON. You are getting into a legal technicality I am not acquainted with.

Mr. MOONEY. That is quite an important difference when you talk about IRS. Are you aware——

Ms. GORDON. I am not a lawyer.

Mr. Mooney. You don't have to be. Are you aware of the measures which the IRS is now allowed under law to take in the collection of taxes which the Government contends are owed by a taxpayer, such as seizure of private property including realty, without any judicial process at all?

Ms. Gordon. No, I really am not an expert on the IRS enforcement procedures at all. I have never been delinquent.

Mr. Mooney. Was this ever considered by the council?

Ms. Gordon. I don't think that that specific feature was ever discussed. As a matter of fact, this is a proposal that stems from the Carnegie Commission and has simply been taken over by the council. It first appeared in its present form in the 1970 version of *Quality and Equality*, in which it was spelled out. I sat in on quite a number of discussions that led up to that, and I don't think that we got into technical legal questions about what the IRS does to enforce payment.

Mr. Mooney. You ought to look into it especially since in recent months, in fact this last month, the Commissioner was forced by circumstances to issue new regulations and an interpretation of his proposed regulations that related to the obligation which might exist between the student and a lender when the school from which the kid has borrowed money folded up or for some reason was unable to provide him with what he contracted to receive.

Ms. Gordon. Yes.

Mr. Mooney. If you put the IRS together with that fact situation, and the collection procedures which the IRS is allowed to use, you would be creating a contractual remedy which is unknown in the English-speaking world.

Ms. Gordon. Well, isn't part of that problem going to be taken care of through the new Federal Trade Commission regulations and the Office of Education regulations which, in the latter case, require standards for refunding? Admittedly when a school folds, there are problems.

Mr. Mooney. Well, I am not sure it would be taken care of. Possibly it would be remedied by that, but not certainly.

Ms. Gordon. Well, certainly those regulations, and there are two sets, as I understand it, one has been issued recently by FTC and another set of regulations by the Office of Education. Both aim at problems of irresponsible advertising by schools, lack of any provision for refund when a student withdraws, and this kind of thing.

Mr. Mooney. We are talking about nicer situations than that.

Ms. Gordon. Yes. I realize we are talking about situations in which a school goes into bankruptcy.

Mr. Mooney. Or where a student feels he has a legitimate right under the ordinary, or under the widely accepted principles of contract law, not to pay.

Ms. Gordon. But those students can go into bankruptcy too, and that is happening. So there, of course, are these problems, but I am not sure that they are such compelling problems as to destroy the whole concept. There is a growing problem of default under the existing programs, and the mechanisms and incentives for collection are just not present to any satisfactory degree.

Mr. Harrison. Under this student loan bank proposal, would the student have some sort of right to the loan, would he have access to the loan as of right, or would the student loan bank exercise the same kind of prudential judgments the bank now exercises in making a loan?

Ms. Gordon. I would think that there might have to be some standards that would go to past records of not paying debts, for example. But I don't think that there would be restrictions that would prevent the ordinary student who didn't have a record of that sort from getting a loan.

There would not be an income test under our proposal, and there would be no real subsidy of interest. There would be a deferral of interest, but deferred interest would have to be included once the repayment period began.

Mr. Harrison. Would a loan decision be made by an officer of the National Student Loan Bank?

Ms. Gordon. Yes.

Mr. Harrison. Or would it be made by a financial aid officer at the institution?

Ms. Gordon. I think it could be made by either one. The financial aid officer might refer the student to the nearest regional representative of The National Student Loan Bank, but we have not spelled out those administrative details.

Mr. Harrison. Essentially, you are talking about a Federal agency which would deal on a one-to-one basis with a fairly large universe of student borrowers?

Ms. Gordon. Yes. That might be true in some cases.

Mr. Andringa. Through banks?

Ms. Gordon. I think that in considering this proposal, Jim, and I recognize from earlier conversations with you your resistance to loan programs, we have to recognize that we have had nothing like full-funding of the student grant programs. If the student grant programs were fully funded in the form in which we are recommending them, then the need for loans would be appreciably reduced, and I include here the college work study program which I think is an important case in point for more adequate funding.

However, while the need for loans would be substantially reduced, I see the need for a residual loan program as especially important for some students attending expensive private institutions and for graduate and professional students. There must be a good loan program for graduate and professional students, particularly since there are so many arguments these days against fellowships for those students.

Mr. Mooney. How would it be capitalized?

Ms. Gordon. Through borrowing from the U.S. Treasury. That is the proposal, and that explains our cost figure. It assumes a $5 billion borrowing authorization at an interest rate of 7 percent. The current authorization for Sallie Mae is $500 million, and that is through the private market.

Mr. Mooney. How do you think, or can you speculate on how this would work under, let's say, present circumstances where the Treasury itself is evidently going to have to borrow an awful lot of money in the next fiscal year, and probably in the fiscal year successding the next one?

Ms. GORDON Yes. This obviously would increase the general Government debt if authorized to this extent. In fact, our proposal does not contemplate going immediately to $5 billion as the total authorized borrowing capacity. All of our proposals assume gradually moving toward that kind of funding, and $5 billion eventually might not be any very serious addition to the national debt. Furthermore, this is needed initially to get the loan program started, Eventually, as students start repaying loans, the program will ultimately be financed in a revolving fashion.

Mr. MOONEY. What I am addressing is availability of capital.

Ms. GORDON. Yes. Obviously, this is not a very favorable time for suddenly creating a Government agency that could borrow up to $5 billion. That is not what we are proposing. We are proposing possibly gradually converting Sallie Mae into a National Student Loan Bank, and probably not discontinuing Sallie Mae's existing function in the process. There might be some merging of private and Treasury funds in this situation. Sallie Mae does its borrowing from private institutions.

Mr. MOONEY. What about NDSL?

Ms. GORDON. We are recommending phasing it out.

Mr. MOONEY. Would you phase it out gradually so as to give, so as to lend an opportunity to see whether things will work out or not with respect to GSL?

Ms. GORDON. What we are recommending is gradual phasing out. We have not spelled that out in precise detail, and frankly we did not attempt to estimate the residual costs that would be associated with phasing out the existing loan programs.

Clearly you would have costs for defaults going on for a considerable period of years, but it is extremely difficult to come up with any sort of estimate as to what those costs might be. In connection with the direct student loan program, although the council did not discuss this in detail, I think we would probably favor simply discontinuing new appropriations and allowing institutions to retain whatever funds they had in their revolving funds. But we are opposed to continuing the 3 percent interest rate in the direct student loan program alongside a much higher interest rate in the GSL program. The 3 percent interest rate is an anachronism which was appropriate when the legislation was enacted in 1958.

Mr. DIEFENDERFER. As I understand, the two basic criticisms of the guaranteed student loan program, one, is that it does not make funds available to certain low-economic strata students.

Ms. GORDON. I wouldn't go quite that far. I would say there certainly is a probability that it is going to be more difficult for a low-income minority group student to get a loan from the local bank than it is for a student whose family has status in the community and good credit standing, and so on.

Mr. DIEFENDERFER. And, secondly, the criticism of the default rate?

Ms. GORDON. The default rate, yes, of course, is a growing problem in the guaranteed student loan program. But I have a long discussion in my statement which mentions a number of other problems.

I did not want to go into that in great detail in my oral statement because it simply repeated what I said when I testified last June. Essentially this part of the statement was identical.

Mr. DIEFENDERFER. Well, what I was wondering, I have not had an opportunity to read your statement, and I will preface my remarks with that, but in terms of your remedy for the default situation it seems to me if the remedy is possible, if it is possible legally, it could be applied to the present guaranteed student loan program just as easily as a new program.

Secondly, in terms of the capital assets of this type of program, instead of giving up the wealth of private funds that are now going into the present loan program, wouldn't you think it better to keep these sources of funds and maybe create a national student bank administration to aid the students who cannot get funds out of the private sector?

Ms. GORDON. Well, I think that, given the sum total of problems associated with the existing Federal guaranteed student loan program, that I would stand squarely, and I think the council would, behind our recommendation that that program be phase out.

We do not have as strong a position in relation to the State guaranted loan programs which have apparently had a considerably lower default rate, which has been attributed to better administration. I think this may also be explained in part by the fact that proprietary schools are not involved in the State programs in all cases.

Mr. DIEFENDERFER. I think in the two largest State programs they are, New York and Pennsylvania.

Ms. GORDON. Yes. But in terms of the ultimate role of National Student Loan Bank, let me say that when the Carnegie Commission originally formulated its proposal for the National Student Loan program, Sallie Mae did not exist, although there was a recommendation in that same report looking toward the possibility of something like Sallie Mae. Now, we are saying that there are possibilities of converting Sallie Mae into a National Student Loan Bank. We have not spelled out exactly how it would be done. It would require a detailed kind of study that we have not undertaken, but I can see possibilities of a combination of private and public funding for this kind of operation. I may say, also that I am not apologetic about not having spelled out those provisions in detail, because if our report on the Federal role was to be useful in relation to 1975 amendments it had to be completed by a certain date.

Mr. ANDRINGA. Did the council do any work on the problem of information to students, the problem of students knowing the full range of options, the full range of programs, program criteria, and financial aid?

Ms. GORDON. We have had some recommendations in some of our reports that relate to that. In the report on "The Campus and the City" the commission recommended learning pavilions and also recommended the availability, particularly in large urban areas, of centers for information of students, giving them not only information on financial aid but also on the relative merits of institutions they might want to attend and so on.

Mr. Andringa. Finally, are there any specific proposals in here you feel the council is more equipped through your data processing resources, or staff now free to work in the next 2 months, where you feel you are more prepared to work on the specifics?

Ms. Gordon. I would say on the kinds of questions you were asking earlier about variations in costs among private institutions, this kind of thing we could do, although the data would not be particularly recent, because, as you know, OE financial data come out more slowly than any other kind of data. But I don't think that is important because the pattern of variation does not change greatly from year to year, although the actual costs change. But the characteristics of high cost versus low cost private institutions, for example, do not change.

I may say, though, we have a number of other studies going on, quite apart from Federal aid to higher education. However, we would do our best to undertake any special kind of analysis that we were capable of doing.

Mr. Harrison. You said something earlier about being apologetic. I don't think a soul in the room has less to apologize for than you in terms of knowing not only what you were talking about, but also what we are talking about.

Ms. Gordon. Well, thank you very much.

[Whereupon, at 1:10 p.m., the meeting ended.]

THE STUDENT FINANCIAL AID ACT OF 1975

TUESDAY, MARCH 25, 1975

House of Representatives,
Subcommittee on Postsecondary Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:40 a.m., in room 2261, Rayburn House Office Building, Hon. Michael Blouin, presiding.

Members present: Representatives Blouin, Benitez, Simon, Mottl, Quie, Eshleman, and Mrs. Smith.

Also present: Jim Harrison, staff director and Dr. Robert Andringa, minority staff director.

Mr. **Blouin**. The subcommittee will come to order.

My apologies for being a few minutes late in getting started. Chairman O'Hara is probably going to be late in arriving this morning. We have several things going today.

I understand that yesterday we did not get to Mr. Kane of the National Catholic Education Association and we might as well start with you today.

You have the option, as I understand it, sir, of either reading your statement or having it inserted in the record and talking in general about it or however you would like to go.

STATEMENT OF JOSEPH KANE, NATIONAL CATHOLIC EDUCATION ASSOCIATION

Mr. **Kane**. I request I submit it for the record and I expect to add a section on loans later which will go with this.

Mr. **Blouin**. Without objection, it is so ordered.

[The full statement referred to follows:]

Prepared Statement of Joseph Kane, Legislative Consultant, College and University Department, National Catholic Educational Association

Mr. Chairman and members of the Subcommittee on Postsecondary Education, I am Joseph Kane, Legislative Affairs Consultant of the College and University Department, National Catholic Educational Association. On behalf of the National Catholic Educational Association, which represents nearly 250 Catholic colleges, and myself, I wish to thank the Chairman of the Subcommittee on Postsecondary Education and all of its members for extending this invitation to comment on legislative proposals. Mr. O'Hara clearly believes in the future of postsecondary education in this country—it is good to know that his interest continues and stimulates national attention to its problems.

Probably at no other time has a subcommittee on education had so much information available to it from commissions, associations, institutions, foundations—corporate and otherwise, and individual researchers, on the financial and other conditions—higher and postsecondary. (It lacks only essential up-to-date student aid data, particularly BEOG information.) This is no accident. The former House Special Subcommittee on Education instituted a National Commission on the Financing of Postsecondary Education and two of its members, one no longer in Congress, spent a year in many exhausting meetings in producing a major document. Mr. Brademas, I am sure, feels—as I do—that there is much unmined gold in that study. For example, on the basis of the Commission's definition, it became evident that the student grant mechanism does more for access than low tuition.

Mr. O'Hara continued to pursue that same direction, seeking reactions from all sectors of postsecondary education to current legislation, to the National Commission study and to other national reports. He listened to all voices, both in the public forum and in private seminars. Out of all of this, a bill has been written, mirroring at least some of the goals thought suitable for federal support. That is as it should be. But its sponsor has now also asked us to react to his propoal. He is no doubt already aware of strong divergencies of opinion on both general and specific grounds. In fact, to the advantage of all, he has deliberately invited it.

It is difficult to make the leap from current legislation and the difficulties associated with its programs to the proposed legislation. The latter, that is the proposed legislation, itself is not only an attempt to improve current legislation but to advance new directions. It, however, happens to be an effort which counts above all others for abvious reasons. That alone makes it worthy of notice and attention. The question simply is: whether H.R. 3471 adequately encompasses all aspects of the present problems facing postsecondary education.

We submit that H.R. 3471 is incomplete in its consideration of the conditions of postsecondary education today, particularly student aid. If passed as it now is, we would totally totally agree with President John Moseley's statement before this committee on March 13, on behalf of the Association of American Colleges and the National Council of Independent Colleges and Universities, that it would be devastating to private colleges and universities. I would add that it would affect most those private institutions which do not have large endowment resources to utilize in discretionary ways. It should be recognized that over 70% of annual educational and general revenue at Catholic colleges derives from tuition and fees. Very few Catholic colleges, consequently, would survive if their major source of revenue is diminished. The few which could survive, would of necessity, serve a high income student body—a curious reversal of their historic mission of serving urban student population.

It is worth observing in this context that the bill before us undermines two principles traditionally prevailing in federal assistance to higher education. The first is the bill's rejection of equitable treatment by the federal government of state-owned and independent institutions; the second is the abolition of most, if not all, institution prerogatives in recruiting low-income students and in disbursing financial assistance to each according to his needs. Implicit in this also are the disenfranchisement of the right of those who wish, or whose parents wish them, to attend schools other than those which are state-owned and state-controlled, and the usurpation of institution rights to select students, both being threats to the existence of an independent educational sector in American society. Indeed, the taproot of all the tendencies inherent in this bill is the agenda to force all of higher education to become state-owned and state-controlled levying its costs solely upon the taxpayer—effecively destroying reliance upon ability to pay, and freedom of choice in paying for education.

Past federal aid programs have not generally discriminated against independent colleges. The Higher Education Facilities Act of 1963 applied to both state-owned and independent institutions, as does now the cost-of-education component of the Education Amendents of 1972. In fact, as Mr. Brademas stressed at the time, the COE formula was designed to assist the smaller private colleges. H. R. 3471, as its sponsor asserts, is targeted to low-tuition institutions and to pay all out-of-pocket expenses of students attending them. We are aware, of course, that the present G.I. bill, as contrasted to the World War II G.I. bill, is highly discriminatory against veterans' choice of private institutions.

While this bill offers indeed an alternative to our American system of postsecondary education, its orientation, at present, stands outside our social traditions. Our governments, federal, state and local, have supported and stimulated diverse opportunities represented by state-owned and independent institutions. They have allowed taxpayers reasonable options in the choice of educational opportunities. Are we now to foreclose on these freedoms, on these rights?

There has also been an historic balance between federal and state prerogatives in the area of postsecondary education. I can thoroughly agree with Mr. Quie's statement at the annual banquet of the National Council of Independent Colleges and Universities on January 13: "one issue that is definitely a state rather than a federal policy is the issue of tuition." He added that it would be a mistake to make the "federal government take a deliberate stand on low tuition and enforce it with some form of the carrot or stick."

To restore a balanced view of postsecondary education, I would employ Howard Bowen's idea of "tension." (It is hardly necessary to identify Howard Bowen to this committee.) Applied to the social arena, tension refers to a constant state of equilibrium between weights or values at either end of a scale which may periodically or continually change, requiring a sort of Newtonian reaction at one end to restore immediately the imbalance created at the opposite end. The relationship of state-owned and independent postsecondary education is one such tension, actively created and maintained by our democratic dispositions and ideals. Our first colleges were not only private, they were church-related. State-owned institution are a relatively new adventure. In a short time, however, by reason of their revenue base, their expansion has nearly swamped the independent collegiate sector. Yet, the differences between the two are dissipated by the common activity of educating the public—a fact which many carelessly or carefully ignore or conceal. Both sectors are public education.

If we are to preserve the "tension" or elastic balance between the state-owned and independent education, it is necessary to provide adequate means to do so. It is the business of the federal government to ensure this condition for it is the guarantor of rights and freedoms. To tip the balance in favor of one or the other will be reflected not merely in a change in the distribution of tax revenue, but in a qualitative impact on our social and political institutions.

There does exist a mischievous factor in federal student aid programs. Generally, they do not take into account the difference between "prices" at state-owned and independent institutions. (This probably is part of the explanation of the decrease in the share of total enrollments by independent institutions between 1967-1974: from 30% to 22%. The awards to low-income students make it possible to attend a low tuition institution while inhibiting a middle-income student from attending a higher-priced one. In other words, no account is taken of the state subsidy to students to keep tuition prices low. We should realize that low-tuition is not just a policy, it is an aid program, impossible of being matched by independent institutions; it should be taken into account in distribution formulas of federal aid.

As you know, the Carnegie Council has recently recognized the "tuition gap" between state-owned and independent institutions, recommending on March 6 the inauguration of a federal incentive program to states to offset the current tuition differential. The formula introduced proposed a 50/50 matching grant, the sum of which would equal one-half of the per student educational subsidy at public institutions. The National Council of Independent Colleges and Universities had proposed the tuition offset idea two months earlier, without opting for a particular formula. According to the NCICU report, states subsidize students at state-owned institutions on the average of $1600. If you provide a federal grant of $600, that student is subsidized in the amount of $2200, while the student attending a private institution only receives $600 in subsidy—this for an education whose costs are similar.

To be perfectly blunt, the federal government should provide the incentive. As the Carnegie document states, "We believe that the time has come for the federal government to take decisive steps to assist the states in their efforts to preserve private colleges and universities. To the extent that there are social benefits from public subsidization of higher education these benefits accrue from collegiate education in private, as well as in public, institutions. Thus, there is a strong case for at least partial public subsidization of private higher *education, as long as large educational subsidies flow to public institutions.*"

But, no matter the method, we believe that any new student assistance bill should weigh means to differentiate financial awards to students attending state-owned and independent institutions. (To illustrate the need for incentives to aid independent institutions, a table is enclosed for your information. It was prepared by a researcher at Syracuse University, Richard Jonsen, for the Montana State Commission on Postsecondary Education, November 1973. Its value is in the listing of percentages of students in each state attending private institutions and the amounts, direct and indirect, and percentages of total state funds flowing to private institutions. State efforts in 1972-73 can hardly be called adequate in comparison with the numbers of students enrolled.)

State	Total 1972–73 appropriations for higher education[1]	Direct appropriations to institutions of private higher education, 1972–73[2]	Total State scholarship funds appropriated, 1972–73[3]	Percent of State scholarship dollars awarded to private institutions[4]	Total State appropriations to private higher education (direct and indirect)	Percent of total State appropriations for higher education to private institutions	Percent of State enrollments in private institutions
Alabama	$106,440,000	475,000	None		$475,000	0.4	15.0
Alaska	21,978,000	1,337,000	4,200,000	28.5	2,537,000	11.5	8.6
Arizona	112,712,000	None	None		None	0	1.9
Arkansas	56,371,000	None	None		None	0	15.7
California	1,009,272,000	None	26,708,236	80.0	18,800,000	1.9	10.3
Colorado	115,243,000	None	None		None	0	11.4
Connecticut	113,724,000	1,194,000	2,026,000	38.6	1,976,036	1.7	39.7
Delaware	25,887,000	None	None		None	0	14.8
Florida	302,112,000	3,055,000	600,000	55.8	3,385,000	1.1	18.6
Georgia	177,819,000	None	2,800,000	100.0	2,800,000	1.6	18.6
Hawaii	64,478,000	None	None		None	0	9.3
Idaho	36,785,000	None	None		None	0	21.0
Illinois	516,726,000	26,250,000	59,700,000	60.0	62,070,000	12.0	29.0
Indiana	218,595,000	None	16,534,875	52.0	8,598,135	4.1	26.8
Iowa	125,505,000	500,000	4,223,154	97.0	4,600,000	3.7	35.4
Kansas	93,037,000	819,000	1,150,000	87.0	1,819,000	2.0	12.6
Kentucky	139,485,000	None	2,500				19.3
Louisiana	146,664,000	None	None		None	0	15.5
Maine	33,612,000	None	180,000	[illegible]	150,000	.4	28.4
Maryland	159,156,000	2,000,000	3,425,000		2,000,000	(5)	19.7
Massachusetts	154,451,000	None	8,000,000	80.0	6,400,000	4.1	59.7
Michigan	417,815,000	2,744,400	13,832,000	58.5	10,810,400	2.6	13.2
Minnesota	174,040,000	3,335,000	5,000,000	50.0	5,835,000	3.4	18.8
Mississippi	None		None		None	0	11.8
Missouri	161,464,000	None	105,000				27.7
Montana	30,798,000	None	None		None	0	9.0
Nebraska	56,780,000	None	500,000	100.0	500,000	.9	21.0
Nevada	20,656,000	None	None		None		.8
New Hampshire	12,880,000	None	None		None		45.1
New Jersey	236,280,000	11,931,000	23,222,367	55.1	24,703,302	10.5	30.5
New Mexico	50,968,000	[7] None	None		None		8.2
New York	827,425,000	50,720,000	121,100,000	35.0	93,073,800	11.3	40.5
North Carolina	223,486,000	1,748,500	None		1,748,500	.8	27.1
North Dakota	27,476,000	None	None		None	0	4.3
Ohio	325,105,000	2,680,000	16,160,000	45.6	10,048,960	3.1	24.7
O[illegible]a	81,720,000	None	(8)		None	0	15.9
Ore[illegible]	106,990,000	1,000,000	1,296,303	15.8	1,204,816	1.5	11.6
Penn[illegible]nia	388,874,000	28,242,000	58,832,049	46.5	55,598,903	14.3	42.4
Rhode [illegible]land	40,029,000	None	539,400		(6)		44.7
South Carolina	104,930,000	200,000	150,000	100.0	350,000	.3	30.4
South Dakota	22,736,000	None	None		None	0	21.0
Tennessee	127,994,000	220,000	1,170,000	70.8	1,132,600		25.4
Texas	463,528,000	7,000,000	3,000,000	100.0	10,000,000	2.2	17.1
Utah	57,195,000	None	None		None		38.4
Vermont	16,743,000	None	2,380,000	22.1	526,055	3.1	44.8
Virginia	185,756,000	None	750,000		None		17.5
Washington	190,467,000	None	1,784,200	64.2	1,113,492	.6	11.2
West Virginia	77,922,000	None	425,000	21.2	107,100	.1	18.2
Wisconsin	257,243,000	1,877,000	4,921,523	81.3	5,879,215	2.3	14.7
Wyoming	18,316,000	None	None		None		0
Total	8,528,509,000						

---

[1] Source: "Chronicle of Higher Education," Nov. 13, 1972 compiled by M. M. Chambers.

[2] Source: Education Commission of the States.

[3] Source: National Association of State Scholarship Programs, "Fifth Annual Survey," and Education Commission of the States.

[4] Source: National Association of State Scholarship Programs, Ibid.

[5] Source: Fall enrollment, higher education, 1970. Department of HEW.

[6] Not computed.

[7] Participation in WICHE.

[8] Not funded.

A particularly special issue arises with this bill—and that is information to evaluate its impact. I submit that it is too soon and too inopportune to change radically the direction of current student aid programs. While there are deficiences in the present legislation—and most are known, we can hardly say on the strength of any data we have, that major repairs are necessary. Not only have appropriations been inadequate and selective, there are no evaluations or reports from the Office of Education on the programs.

We, illustratively, point to the Basic Grants program. There are excessive surpluses but no way to account for them, we have no distribution tables of BEOG students attending 2-year, 4-year or proprietary schools, of state-owned and independent institutions student choices, of amounts or percentages of the funds going to any of these. We know that 40% of those eligible to receive BEOG's—not 40% of those applying but those applying and approved for grants did not enroll at a postsecondary institution with his grant.

A second example is pertinent. Dr. Moseley cited data that "public institutions—particularly public 2-year schools (21%), would gain relatively mainly because of the elimination of the half of cost feature." I sincerey doubt whether the gain would only be "relative." Dealing solely with statistics is not sufficient. it is very possible that there would be an absolute gain, considering both institutional and economic characteristics together. The explanation is ridiculously simple: if there are two colleges, one whose price is $1000, and the other's is $5000, to which will a student go if the BEOG grant is $1000? The analogy with the Vietnam Veterans G.I. bill is striking: provide a subsidy Large enough to pay all out-of-pocket costs at a low-price institution, and you will have as many students at low-price colleges as there are veterans, 85%.

I emphasize the need for accurate data and information from responsible sources. Our legislative efforts are inflicted by a plethora of data hastily assembled by organizations not always representative of their constituencies and frequently having a bias which leads to generalizations on the basis of partial or incomplete information. For example, I feel certain that everyone's impression had been that blacks enrollments, were continuing to decline until the *Chronicle of Higher Education* published its "enrollment picture" on March 17. Actually black enrollments this year are reported to have increased 19%.

The Report of the National Commission on Financing Postsecondary Education (pp. 134-156) indicates that we are not sufficiently knowledgeable about which students, or why those students, attend colleges. Family income is not the sole important variable. The problem of access is "clearly not related to family alone." High School tracking, as well as parental levels are apparently more significant.

Yet we find proposals to direct BEOG's to a cost-of-living subsidy—that means taking educational funds and targeting them to a quasi-welfare program—without any idea if (a) the student needs more or less tuition support, (b) whether the target population will use the monies profitably, that is, enroll but not attend, or whether cost-of-living is a just measure of educational need. We have no quarrel with providing students with cost-of-living subsidies, but we share the convictions of many that this is not the time to reallocate education funds, that such subsidies should be provided under another budget, and particularly that the issue be first studied thoroughly to assure that the need exists.

It may appear that I have added extraneous material here. It seems to me, however, that if this bill's BEOG program is matched with zero and low tuition, then a different measure of need is required. It would be regrettable if any new measure of need is unrelated to educational costs.

I would like now to make a few comments on specific programs in H.R. 3471. I add that while we share the view of the Association of American colleges, National Council of Independent Colleges and Universities on these programs, emphasis on certain points may be worthwhile.

The general orientation of the student assistance programs should be observed. No meaning is attached any longer to campus-based programs, aside from being an employment vehicle. Where is the institutional initiative for recruiting low-income and minority students? Can or will the federal government actively do this? Adam Clayton Powell, a former Chairman of the Committee on Education and Labor, once said that if blacks were to make it, institutions would have to be aided to provide the necessary recruiting, counseling and instruction. This bill points in the reverse direction: more direct grant mechanisms, the elimination of institutional lenders, the predictable end of NDSL under the conditions stipulated.

BASIC GRANTS

The single most important feature is the proposed removal of the ½ cost-of-education limit in the current bill. We can only foresee a drastic effect on enrollments (not on eligibility) if the formula were to be changed. The statement that the removal of the ½ cost limit would have "relatively little meaning to students who are attending a high-price institution away from home" misses the point, as does the similar remark that it does not affect "eligible students at high-cost institutions." The point is—and it must be kept in mind—that it will inhibit student's choice of attending private institutions. The amount of unmet need to attend a private institution can only motivate a student to attend a low-price institution which can meet full need. In addition, removing the one-half rule could be the first step to measuring educational need by cost-of-living: there is no reason to set the limit of a BEOG award on instructional or educational costs, if these are not charged to the student.

SUPPLEMENTAL GRANTS

The Supplemental Grant program in H.R. 3471 destroys both institutional flexibility to package student aid and any prospective means to aid lower middle income students with grants. On the other hand, we would not be opposed to a new but entirely separate program of aid to low-income students with high academic qualifications. One should ascertain, however, whether it would add anything to what these students already obtain from other sources.

WORK STUDY

All of the schools with which I have discussed the CWS proposal, indicate that it is satisfactory to remove need from the criteria. At the same time, however, the aid officer said he would carry on business as usual—awarding on the basis of need, largely because there are vastly insufficient funds available now to meet panel-approved need.

STATE-INCENTIVE GRANTS

There appears to be no reason to change radically the SSIG program at the present time. Certainly, any other federal incentive program is welcome, but it should be separate and complementary.

One modification which requires consideration is replacing the present base-year concept with a floating base-year. The present condition is too rigid under changing economic conditions and possibly reduces the capabilities of states to increase program subsidies. Increasing the appropriations, of course, would be the best improvement of all; enabling the SSIG program to become the most effective way to increase student aid. It would also be appropriate to add a by-pass arrangement in terms of which private institutions in those states which do not permit aid to private colleges especially the church motivated, could obtain direct federal funds as does title I in ESEA.

The proposal to add facilities support for zero tuition public institutions would seriously damage state aid plans to help the independent sector. It is also very probable that this will reduce state scholarship aid. Care should be taken that any incentive program does not provide a loophole for states to diminish support for independent postsecondary institutions and students. By extending support for facilities, this proposal can also be understood as a first step toward eliminating need as a criterion for aid.

With respect to the idea of "state effort" as a criterion of federal aid, we must be grateful for the efforts of Mr. Chester Finn of Brookings Institution for his admirable commentary on this issue, and the efforts of Wayne Kirschling and Ben Lawrence. Mr. Finn's view which we share, is that the problem is extraordinarily complex, and that probably an effort index is not at all necessary in view of the "incentive" principle already in the program. If you do not have the literature relating to this issue, I shall be glad to see that you receive it.

SUMMARY

In short, to remedy the weaknesses in H.R. 3471, a specific program of aid should be added, targeted to students attending independent institutions, preferably a tuition offset program; the current student aid programs, SEOG-CWS-NSDL, should be continued and coordinated to provide for greater transferability of institutional allocations at the campus level; BEOG should be reviewed to assure better utilization of appropriated funds; and, until a program for replacement of the current loan programs is established, such as an Educational Security Fund or Bank, NDSL should remain in its present form. While it may be appropriate to suggest that the states/administer FISL, it would be harmful to many independent colleges and universities to deny them the right to be institutional lenders. SSIG should be expanded in its present form, appropriation wise, that is, not diluted by the addition of non-germane targets. It may become the most effective way available to increase student aid funds.

We do not share the criticism of some that there exists confusion and irrationality in the present number, diversity and mix of student assistance programs. There should be as many programs as there are student constituencies to use them effectively. There may be legitimate reasons to add a full-cost program for low-income academically excellent students, and for a matching federal-state work-study program. There also appears to be a growing call for a program to aid middle-income students—in need of a sponsor. It is filling a major need to introduce experimental efforts to learn the effects of low tuitions on enrollments, of utilizing contract techniques with independent institutions as alternatives to increasing state-owned facilities and we support the idea. We hope the body is still alive when the results are in. Removing need as a criterion for work-study eligibility, however, is sound only if sufficient funds are appropriated to match current panel-approved requests.

We do not see any of these, however, as replacements for current programs. Better evidence is needed before concluding that major changes are necessary. On behalf of the National Catholic Educational Association, let me once more thank you for this opportunity to express our views on H.R. 3471. We shall be glad to assist you in any way in improving federal assistance to students.

Mr. KANE. I shall not read it through as is, but try to summarize as I go along.

Mr. Chairman and members of the Subcommittee on Postsecondary Education, I am Joseph Kane, legislative affairs consultant of the College and University Department, National Catholic Educational Association.

On behalf of the National Catholic Education Association, which represents nearly 250 Catholic colleges, and myself, I wish to thank the Chairman of the Subcommittee on Postsecondary Education and all of its members for extending this invitation to comment on legislative proposals.

I am going to read the summary at this point. It is on the very last page.

In short, to remedy the weaknesses in H.R. 3471, a specific program of aid should be added, targeted to students attending independent institutions, preferably a tuition offset program; the current student aid programs, SEOG-CWS-NSDL, should be continued and coordinated to provide for greater transferability of institutional allocations at the campus level; BEOG should be reviewed to assure better utilization of appropriated funds; and, until such a program for replacement of the current loan programs is established, such as an Educational Security Fund or Bank, NDSL should remain in its present form.

While it may be appropriate to suggest that the States administer FISL, it would be harmful to many independent colleges and universities to deny them the right to be institutional lenders. SSIG should be expanded in its present form, appropriationwise, that is, not diluted by the addition of nongermane targets. It may become the most effective way available to increase student aid funds.

We do not share the criticism of some that there exists confusion and irrationality in the present number, diversity and mix of student assistance programs.

There should be as many programs as there are student constituencies to use them effectively. There may be legitimate reasons to add a full cost program for low income academically excellent students, and for a matching Federal-State work-study program.

There also appears to be a growing call for a program to aid middle-income students—in need of a sponsor. It is filling a major need to introduce experimental efforts to learn the effects of low tuitions on enrollments, of utilizing contract techniques with independent institutions as alternatives to increasing State-owned facilities and we support the idea. We hope the body is still alive when the results are in.

Removing need as a criterion for word-study eligibility however is sound only if sufficient funds are appropriated to match current panel-approved requests.

We do not see any of these, however, as replacements for current programs. Better evidence is needed before concluding that major changes are necessary.

Now, let me comment on those remarks.

We have yet to see full funding for the programs of the Educational Amendments of 1972. We have yet to see a general interest in all of the programs in that law. There has been a general disinterest in some of these substantive programs such as the education program in section 1001 of title X, which would have assisted greatly in determining what needs exist for various student populations by State.

We also wonder what has become of the tremendous effort of the National Committee on Postsecondary Education; its conclusions still remain a watermark in Congresional efforts to evaluate resources and needs. Mr. Brademas was deeply involved in the Commission report and we commend this initiative highly.

Now, for general comments on the paper, I go back to page 2, second paragraph.

We submit that H.R. 3471 is incomplete in its consideration of the conditions of postsecondary education today, particularly student aid. If passed as it now is, we would totally agree with President John Moseley's statement before this committee on March 13, on behalf of the Association of American Colleges and the National Council of Independent Colleges and Universities, that it would be devastating to private colleges and universities.

I would add that it would affect most those private institutions which do not have large endowment resources to utilize in discretionary ways. It should be recognized that over 70 percent of annual educational and general revnue at Catholic colleges derives from tuition and fees. Very few Catholic colleges, consequently, would survive if their major source of revenue is diminished. The few which could survive, would of necessity, serve a high-income student body, a curious reversal of their historic mission of serving urban student populations.

It is worth observing in this context that the bill before us undermines two principles traditionally prevailing in Federal assistance to higher education. The first is the bills' rejection of equitable treatment by the Federal Government of State-owned and independent institutions; the second is the abolition of most, if not all, institutional prerogatives in recruiting low-income students and in disbursing financial assistance to each according to his needs.

Implicit in this also are the disenfranchisement of the right of those who wish, or whose parents wish them, to attend schools other than those which are State owned and State controlled, and the usurpation of institutional rights to select students, both being threats to the existence of an independent educational sector in American society.

Indeed, the taproot of all the tendencies inherent in this bill is the agenda to force all of higher education to become State owned and State controlled through levying its costs solely upon the taxpayer—effectively destroying reliance upon ability to pay, and freedom of choice in paying for education.

Past Federal aid programs have not generally discriminated against independent colleges. The Higher Education Facilities Act of 1963 applied to both State-owned and independent institutions, as does now the cost-of-education component of the Education Amendments of 1972. In fact, as Mr. Brademas stressed at the time, the COE formula was designed to assist the smaller private colleges.

Now, to get to some of the other issues.

There does exist a mischievous factor in Federal student aid programs. Generally, they do not take into account the difference between "prices" at State-owned and independent institutions. This probably is part of the explanation of the decrease in the share of total enrollments by independent institutions between 1967–74; from 30 to 22 percent. This I remind you is the peak period of Federal student financial aid.

The awards to low-income students make it possible to attend a low-tuition institution while inhibiting a middle-income student from attending a higher priced one.

In other words, no account is taken of the State subsidy to students to keep tuition prices low. We should realize that low tuition is not just a policy, it is an aid program, impossible of being matched by independent institutions; it should be taken into account in distribution formulas of Federal aid.

As you know, the Carnegie Council has recently recognized the "tuition gap" between State-owned and independent institutions, recommending on March 6 the inauguration of a Federal incentive program to States to offset the current tuition differential.

The formula introduced proposed a 50–50 matching grant, the sum of which would equal one-half of the per student educational subsidy at public institutions.

The National Council of Independent Colleges and Universities had proposed the tuition offset idea 2 months earlier, without opting for a particular formula.

According to the NCICU report, States subsidize students at State-owned institutions on the average of $1,600. If you provide a Federal grant of $600, that student is subsidized in the amount of $2,200 while the student attending a private institution only receives $600 in subsidy—this for an education whose costs are similar.

To be perfectly blunt, the Federal Government should provide the incentive. As the Carnegie document states:

> We believe that the time has come for the Federal Government to take decisive steps to assist the States in their efforts to preserve private colleges and universities. To the extent that there are social benefits from public subsidization of higher education, these benefits accrue from collegiate education in private, as well as in public, institutions.
>
> Thus, there is a strong case for at least partial public subsidization of private higher education, as long as large educational subsidies flow to public institutions.

I then add a page of statistics, which I am sure Mr. Eshleman appreciates because he is usually asking for statistics, on the distribution of State funds for private colleges and universities for 1972–73. The last two columns give the percentage of students enrolled in the private sector in the States and the next-to-the-last column gives you the percentage of State funds going to those institutions.

I want to speak a moment about the problem of information regarding this bill.

We have no information to evaluate its impact. While there are deficiencies in the present legislation and most unknown, we can hardly say on the strength of any data we have that major repairs are necessary.

Not only have appropriations been inadequate and selective, there are not evaluations or reports from the Office of Education on the programs.

We, illustratively, point to the basic grants program. There are excessive surpluses but no way to account for them; we have no distribution tables of BEOG students attending 2-year, 4-year or proprietary schools, of State-owned and independent institutions student choices, of amounts of percentages of the funds going to any of these. We know that 40 percent of those eligible to receive BEOG's—not 40 percent of those applying but those applying and approved for grants—did not enroll at a postsecondary institution with his grant.

A second example is pertinent. Dr. Moseley cited data that, "public institutions—particularly public 2-year schools, 21 percent, would gain relatively mainly because of the elimination of the half of cost feature."

I sincerely doubt whether the gain would only be relative. Dealing solely with statistics is not sufficient; it is very possible that there would be an absolute gain, considering both institutional and economic characteristics together. The explanation is ridiculously simple: If there are two colleges, one whose price is $1,000 and the other's is $5,000, to which will a student go if the BEOG grant is $1,000?

The analogy with the Vietnam veterans GI bill is striking: Provide a subsidy large enough to pay all out-of-pocket costs at a low-price institution, and you will have as many students at low-price colleges as there are veterans, 85 percent.

Now, skipping to page 7, I will raise an issue not exactly germane but still relevant.

We find proposals to direct BEOG's to a cost-of-living subsidy—that means taking educational funds and targeting them to a quasi-welfare program—without any idea if (a) the student needs more or less tuition support, (b) whether the target population will use the moneys profitably, that is, enroll but not attend, or whether cost-of-living is a just measure of eduactional needs.

We have no quarrel with providing students with cost-of-living subsidies, but we share the convictions of many that this is not the time to reallocate education funds, that such subsidies should be provided under another budget, and particularly that the issue be first studied thoroughly to assure that the need exists.

It may appear that I have added extraneous material here. It seems to me, however, that if this bill's BEOG program is matched with zero and low tuition, then a different measure of need is required. It would be regrettable if any new measure of need is unrelated to educational costs.

I would like now to make a few comments on specific programs in H.R. 3471. I add that while we share the view of the Association of American Colleges—National Council of Independent Colleges and Universities on these programs, emphasis on certain points may be worthwhile.

The general orientation of the student assistance programs should be observed. No meaning is attached any longer to campus-based programs, aside from being an employment vehicle. Where is the institutional initiative for recruiting low-income and minority students? Can or will the Federal Government actively do this?

Adam Clayton Powell, a former chairman of the Committee on Education and Labor, once said that if blacks were to make it, institutions would have to be aided to provide the necessary recruiting, counseling, and instruction. This bill points in the reverse direction: more direct grant mechanisms, the elimination of institutional lenders, the predictable end of NDSL under the conditions stipulated.

It is also obvious that the COE, cost-of-education formula in the present law would require changing, directing more of those unappropriated funds to low and zero institutions, were the BEOG formula passed.

BASIC GRANTS

The single most important feature is the proposed removal of the one-half cost-of-education limit in the current bill. We can only foresee a drastic effect on enrollments, not on eligibility, if the formula were to be changed. The statement that the removal of the one-half cost limit would have "relatively little meaning to students who are attending a high-price institution away from home" misses the point, as does the similar remark that it does not affect "eligible students at high-cost institutions."

The point is—and it must be kept in mind—that it will inhibit student's choice of attending private institutions.

The amount of unmet need to attend a private institution can only motivate a student to attend a low-price institution which can meet full need.

In addition, removing the one-half rule could be the first step to measuring educational need by cost-of-living: there is no reason to set the limit of the BEOG award on instructional or educational costs, if these are not charged to the student.

SUPPLEMENTAL GRANTS

The supplemental grant program in H.R. 3471 destroys both institutional flexibility to package student aid and any prospective means to aid lower middle income students with grants.

On the other hand, we would not be opposed to a new but entirely separate program of aid to low-income students with high academic qualifications. One should ascertain, however, whether it would add anything to what these students already obtain from other sources.

WORK-STUDY

All of the schools with which I have discussed the CWS proposal, indicate that it is satisfactory to remove need from the criteria. At the same time, however, the aid officer said he would carry on business as usual—awarding on the basis of need, largely because there are vastly insufficient funds available now to meet panel-approved need.

STATE-INCENTIVE GRANTS

There appears to be no reason to change radically the SSIG program at the present time. Certainly, any other Federal incentive program is welcome, but it should be separate and complementary.

One modification which requires consideration is replacing the present base-year concept with a floating base year.

Yesterday I listened to the testimony of Dr. Gordon and she suggested using 1969 and 1970 as base years because some States had very sound programs in operation at that time.

In any case, the year set now is inflexible and should be changed to allow States to increase and to expand their programs.

The present base-year rule is too rigid under changing economic conditions and possibly reduces the capabilities of States to increase program subsidies. Increasing the appropriations, of course, would be the best improvement of all; enabling the SSIG program to become the most effective way to increase student aid. It would also be appropriate to add a bypass arrangement in terms of which private institutions in those States which do not permit aid to private colleges, especially the church motivated, could obtain direct Federal funds as does title I in ESEA. I think Mrs. Smith would appreciate it because Nebraska does not permit the allocation of funds to private church related schools.

The proposal to add facilities support for zero tuition public institutions would seriously damage State aid plans to help the independent sector. It is also very probable that this will reduce State scholarship aid. Care should be taken that any incentive program does not provide a loophole for States to diminish support for independent postsecondary institutions and students. By extending support for facilities, this proposal can also be understood as a first step toward eliminating need as a criterion for aid.

With respect to the idea of "State effort" as a criterion of Federal aid, we must be grateful for the efforts of Mr. Chester Finn of Brookings Institution for his admirable commentary on this issue and the efforts of Wayne Kirschling and Ben Lawrence. Mr. Finn's view, which we share, is that the problem is extraordinarily complex, and that probably an effort index is not at all necessary in view of the "incentive" principle already in the program. If you do not have the literature relating to this issue, I shall be glad to see that you receive it.

I will end there.

I will add my comments on the loan program for the record.

Mr. BLOUIN. Very good.

One question that I might have, Mr. Kane, in regard to your summary. SSIG, relating to the diluting of the program by addition of nongermane targets. Maybe you can expand on it a little.

Mr. KANE. I actually refer mostly to the use of the funds in the H.R. 3471. A State is able to use the funds under that formula to target funds to zero tuition facilities, at zero tuition institutions by the State.

In other words, the State could then take the monies, instead of giving them to scholarships to public and private students target them to zero tuition institutions.

Mr. BLOUIN. One other area, and maybe I am just looking for clarification, do I understand you correctly in your suggestions that you would not have any objection to the SEOG change if it was in addition to the existing base?

In other words, full funding for academic achievement within the need factor or addition?

Mr. KANE. In other words, if you retain the current SEOG, there is no reason you should not have another program targeted to academically competent low income students.

Mr. BLOUIN. But not in-place.

Mr. KANE. Not in-place of the present SEOG program.

Mr. BLOUIN. Does anyone have any questions.

Mr. Eshleman.

Mr. ESHLEMAN. I have a few.

Mr. Kane, I am in philosophical agreement with you on the contribution of private institutions. Is there any measurement of that contribution per student, say a national average in form of, that the tuition cost does not cover the actual cost, alumni donations, is there a dollar lump sum estimate of what private institutions are contributing now to education of the student?

It seems to me we ought to have the figure and maybe your organization is not the one to give it to us, but we ought to have it.

Mr. KANE. I don't know whether it is in here. I will give you a copy of this study from which I got the 72 percent figure of what the tuitions and fees paid toward current fund expenditures are in Catholic colleges. That figure should be available.

As you know, I am associate director for the Association of Jesuit Colleges and Universities and I am certain I have the figure for the 28 schools in that association which would be a fairly good average of what the others have. I don't have it with me, but can get it for you. You want to know what the institution paid?

Mr. **Eshleman**. The national average, the contribution that private colleges are already giving to each of their students and naturally it would be an average.

Mr. **Kane**. Right.

Mr. **Eshleman**. I missed part of your testimony. Would you want the institutions to remain as lenders?

Mr. **Kane**. Yes.

Mr. **Eshleman**. If we were to do that, what conditions should we specify?

Mr. **Kane**. Well, in the testimony I said until we have a replacement such as the education security fund bank. retain the loan programs as they are.

Now, I have yet to add my section on loans, but from what I have done so far on them, there is an interesting history of loan programs since they have begun. This information was published maybe 3 months ago, January, under some sort of contract with a research organization, and it shows that in certain States total loans are very high, since, say, 1971–72.

There is also a level downward in grants and work-study, but the loans shoot up high.

Generally it is as a result of institutions becoming lenders, which usually means their tuition is going up so much. They have been required to become lenders because the students could not get money from the banks. This is particularly true in the District of Columbia. You will find in the private sector, the loan amounts, I think, have gone up 600 percent in about 4 years.

Mr. **Eshleman**. Does your organization feel we should lower the annual ceiling of those loans? I meant aren't some college students coming out of a fourth or fifth year with a total amount that is a little staggering?

Mr. **Kane**. I would agree, particularly for low-income students, there should be maximum grants, minimum loans. For those who can afford to pay, they can borrow.

Mr. **Eshleman**. Would your organization support the elimination of assets as a determiner in the BEOG fee?

Mr. **Kane**. I think they might be split upon that. I think they probably would distinguish between the nonliquid and liquid assets. I don't see them approving the total removal of assets, no.

Despite the fact it has worked well in New York, and I don't know whether it would be the odd case which proves the rule or whether it would be more general than that, you find people who have high assets with very low income being able to receive grants when they could probably afford it by reason of their assets.

Mr. **Eshleman**. Then you think we, by law, should define what are liquid and nonliquid assets rather than remove it altogether. That would be your feeling?

Mr. **Kane**. Yes.

Mr. **Eshleman**. No further questions, Mr. Chairman.

Mr. **Blouin**. Mr. Simon.

Mr. **Simon**. There is a problem that you alluded to, the problem of the private colleges and universities, and if you were just to draft a bill, forgetting this present bill entirely, just an ideal bill, to be of assistance, keeping in mind also the encouragement of the public colleges and universities, what type of bill would you draft?

Mr. **Kane**. Well, I would refer back to the testimony of the Association of Jesuit Colleges and Universities of June 18 last year before the subcommittee.

I won't say we have a perfect bill, but we have perfected a bill which I think would be substantially what we would support. It takes into account both public and private.

Mr. **Simon**. Unfortunately, I was not a member of the subcommittee at that point. If you could sketch out what you proposed at that point?

Mr. **Kane**. It began with a tuition offset program or tuition equalization, a BEOG program, both for public and private, taking account then of the tuition offset as a subtraction factor in BEOG's for students attending private institutions, an SEOG program largely directed toward tuition, work-study largely directed toward noninstructional expenses and an educational security bank or fund, a foundation for the loan area.

Now, the rationale for that, particularly the work-study, was the result of the Friedman study at the bureau of applied research at Columbia where she pointed out that two-thirds of the students using work-study were using it for living costs.

In other words, and I checked with students on that, they do use the work-study for their noninstruction costs rather than otherwise although the program is not targeted in that direction as it now is.

But that is largely what our formula would have been.

Mr. **Simon**. OK.

I have no further questions.

Mr. **Blouin**. Did you have in mind a Federal-State match on the equalization program?

Mr. **Kane**. Yes.

Mr. **Blouin**. State participation?

Mr. **Kane**. Yes.

Mr. **Blouin**. Fifty-fifty area?

Mr. **Kane**. I would be willing to bet the Carnegie Council's formula is the one I used back on June 18.

Mr. **Blouin**. Is that a 50-50 formula?

Mr. **Kane**. Yes, equal to half the subsidy by the State split in half between Federal and State. In other words, say the average subsidy by the States now to the public sector college student is $1,600, half of that would be $800, split $400 Federal and $400 State.

Mr. **Blouin**. That would mean a decrease in the equalization program in my State. We are presently offering $1,000 grants which more than likely will be increased to $1,500 grants as a tuition equalization program, which has gone on for 5 years, very successfully, I might add.

But you would suggest then we take half of the difference and split it in half?

Mr. KANE. Right. Of course, then you see the other programs follow along with it. It can't be by itself.

As, for example, in the Carnegie Council's report they suggest removing the one-half cost from the BEOG program, but it is not an isolated thing with the Carnegie program, it is only one component of it.

The other parts of it fit together the same way, as our testimony on June 18 indicated, the parts all mesh and you can't pull one part out selectively using that by itself.

In other words, the tuition offset might reduce one type of award but with SEOG or SSIG the total aid might be higher than what the students gets in Iowa, say, at private colleges.

Mrs. SMITH. Mr. Kane, I appreciate your testimony very much.

I note your proposal for a bypass of the States under SSIG runs counter to the idea of decisionmaking at the State level, and would you comment on that?

Mr. KANE. Yes. It does. As you know, under ESEA title I, the private elementary and secondary schools had to find some way to get around the local education agency not including them by law in the program.

So, Mr. Perkins had a bypass agreement put in whereby in the local education agency which did not include private schools in the District in the program, the school could come directly to the Federal Government and get it.

I suggest that the SSIG program, I can't say in detail how it would work, would allow private schools to come directly to the Federal Government when discriminated against by State law. I think a maintenance provision would prevent States from foregoing potential or actual support for private institutions.

I think the private school, the private church-related schools should be allowed to get around State constitutional problems by going to the Federal Government for a direct grant, plus a continuing State maintenance of effort formula in the bill.

Mrs. SMITH. Going into just a different line, what would be the average student budget in your 250 schools?

Mr. KANE. I couldn't even guess, Mrs. Smith. Let me see if I can find it out for you, though.

Mrs. SMITH. Well, then, a little different tack. Under the ceilings and the eligibility criteria of H.R. 3471, would it be possible for an average freshman to attend if he were very needy?

Mr. KANE. At our 250 institutions?

Mrs. SMITH. Yes.

Mr. KANE. Yes, we have a very high proportion of needy students. It will simply take a charge which is in the record already. I think Fordham University submitted a statement on March 20 and they have 20 percent of their student body from low-income families. The 4-year private colleges are known to have at least an equal, if not higher, proportion of low-income students than the public 4-year colleges. That statistic is a fact and I can give you that information.

Mrs. **Smith.** I was referring to the $1,000 ceiling on guaranteed loans.

Mr. **Kane.** I am sorry.

Mrs. **Smith.** To the proposal in the new bill.

Mr. **Kane.** No, I think, let me say it this way. I like the idea of reducing loans in the first 2 years because of the dropout problem, because the dropout problem of course is more a public institutional problem than a private institutional problem from the data I have seen.

You can't make a distinction there. I would say it would be better to retain the higher figure. Of course, the tuitions simply are that high at private schools, there is a 5 to 1 differential now and the student will have to have some way to get a loan merely because the majority of the schools do not provide full need for any students. That is, the majority of Catholic colleges do not. Schools which have discretionary revenue can top off Federal and State aid.

Mrs. **Smith.** The Carnegie group now is recommending a proposal for a student aid loan bank and would you give your reaction? How would you set up a student loan bank?

Mr. **Kane.** May I beg off of that question? I really am not qualified to answer it right now. I followed that rather carefully up until last year and we have some lengthy comments on it in the earlier testimony which I will provide you with, Mrs. Smith.

Mrs. **Smith.** Would you favor the IRS as a collection agency of last resort for the loans?

Mr. **Kane.** No.

Mrs. **Smith.** I have no further questions.

Mr. **Blouin.** Mr. Benitez.

Mr. **Benitez.** Reversing the question of Congressman Simon earlier, what would you regard as the most objectionable part of this bill from your standpoint?

Mr. **Kane.** I would say that there are three equally objectionable characteristics of this bill, with all due respect.

The first I would say is, let me see how I would put that, the targeting of aid to low-income students to attend low-priced institutions, in other words, the inequitable treatment. Traditionally, public and privates were treated equitably.

The second feature I would say is removal of the one-half in the BEOG program. I admit that is a particularly difficult feature to understand because it can be seen from two perspectives and both appear to be right.

The perspective from which we see it is that while the removal of the one-half cost in the BEOG program would not affect the eligibility of students, it would tend to direct the student to a low-priced institution, much as the present G.I. bill does.

If you had zero in low tuition schools and your full expenses paid for you would go to that school, more than you would to a school that charges five times as much where you have to make up that difference.

The third feature is the splitting of the SSIG program to target money towards facilities at zero tuition schools; it would destroy that program as a scholarship program.

Those three things, I would say, Mr. Benitez.

Mr. BENITEZ. Concerning this low tuition as against high tuition schools, your remedy for that would be, let's say, taking care of the cost of the tuition regardless of how high it is? I mean the contrary position would be to concentrate this scholarship aid or assistance to students according first priority to the cost of the tuition? Would that be something that would level off the situation?

Mr. KANE. Are you referring to a tuition offset idea?

Mr. BENITEZ. Yes.

Mr. KANE. Well, no, if you take it on the average of $1,600, which varies from State to State, you would have to put in a limit. The limit, of course, if you want it, is what the State pays for the subsidy of a student at a public institution. It does not matter what then the tuition is at a private institution if the formula has relation to the subsidy provided at the public institution.

Mr. BENITEZ. Would it be simpler to assume that tuitions reflect costs and that if you wish to facilitate admission to any of these large colleges or to colleges where tuition is very high, say like we do, for instance, in universities giving fellowships or giving sabbatical leave and other things, whatever the tuition is that we pay, or whatever the tuition is we pay *x* amount or a fraction thereof, does not that simplify your problem?

Mr. KANE. I don't quite understand.

Mr. BENITEZ. If, for instance, one university charges a $3,000 tuition and another university charges $200 in tuition; and the Government wishes to allow the choice of the universities to be made by the student rather than by the financial factor, the equalization would be produced theoretically if the law provided that needy students would be allowed to opt for whichever university they wished to go to and we would pay their tuition or we would pay up to so much of their tuition.

Mr. KANE. Yes.

Mr. BENITEZ. This is the sort of thing that at least we do in Puerto Rico with the student who is sent to postgraduate schools. We want them to choose the best ones and if they are more expensive the institution absorbs the higher costs.

Mr. KANE. Well, that is more or less the idea Mr. Eshleman spelled out for SEOG programs, that the Government would pick up the full cost of academically, highly academically qualified income students and we would support that in the new bill.

Mr. BENITEZ. Would you favor the extension of that concept to other tuitions?

Mr. KANE. To all academically qualified regardless of their need?

Mr. BENITEZ. No, no, no, to all tuition institutions regardless of their charge.

Mr. KANE. You mean, having the Government pay all costs at all institutions?

Mr. BENITEZ. If a qualified student who happened to be poor wishes to go to Harvard, where the expenses are very high, that should not, under this theoretical case, that should not be a factor.

Mr. KANE. Right.

Mr. BENITEZ. That should not be a factor in his choice.

Mr. KANE. Right, I agree.

Mr. BENITEZ. And so the way of balancing this situation within constitutional limits in this particular case would be for the Government to pick up the tab in the case of needy and intelligent and able students regardless of the cost, regardless of the academic cost of the institution?

Mr. KANE. Yes, I believe that is necessary.

Mr. BENITEZ. And your association would favor an approach of that type?

Mr. KANE. Yes.

Mr. BENITEZ. Thank you.

No more questions.

Mr. BLOUIN. I want to make sure I understand what just transpired.

Are you saying that your association would support complete funding for the difference between a public university and any private university selected by the student based on need?

Mr. KANE. Yes, as a separately new program.

Mr. BLOUIN. OK.

Do you have statistics that might give us an idea of what kind of problems you are experiencing in lapses on student loans?

Mr. KANE. Yes, I have some information.

Mr. BLOUIN. It is as high or higher than the public universities? Does it vary from one section of the country to another section?

Mr. KANE. I can't say offhand. I have the data for 3 complete years on the reports which are submitted to the Office of Education and institutional application forms that are submitted every year and I have it for 3 years running and it gives me an indication of defaults.

Mr. BLOUIN. For private colleges?

Mr. KANE. For 28 Jesuit colleges and universities.

Mr. BLOUIN. Could you provide it for the record?

Mr. KANE. Yes, I can.

Mr. BLOUIN. I would appreciate that very much.

Maybe this might be a theoretical question and impossible to answer, but then again you may have statistics.

How many of the Catholic colleges in the association would be in major trouble if the student loan program were to be totally disassembled and replaced with nothing? By "major" I mean bordering on closing or closing.

Mr. KANE. From my understanding from talking to the student aid officers and the data I have just alluded to, it would be at least 3 years before the NDSL becomes a rollover operation, that is, when they can use that money and live off of it.

Until that occurs, if you take apart the loan programs, I would say a good 50 percent of the schools would close.

Mr. BLOUIN. Fifty percent of the colleges. What enrollment in higher education does that represent in numbers?

Mr. KANE. Well, let's see. That would be about 225,000 students.

Mr. BLOUIN. 225,000 students that would have no other place to go but either to a State-supported university or out of the higher education market?

Mr. **Kane.** Right.

Mr. **Blouin.** You are suggesting that the combination of loan programs and tuition equalization program, at a 40% type of match, would be a far more economical way to go than have the State pick up the whole cost?

Mr. **Kane.** Yes. It is also an incentive to the State to pick up some of the costs, which generally has not been done, as you see from the data I put in. It has not been picked up.

Mr. **Blouin.** When you speak of low cost or low priced institutions, do any private colleges fit in that category, to your knowledge? Do you use it strictly in the context of public supported colleges and universities?

Mr. **Kane.** Yes.

Mr. **Blouin.** I have no more questions.

Does anyone else on the committee have questions?

Mr. Kane, I thank you. I appreciate your carrying over to today for us.

Mr. **Kane.** I might add the last sentence for the record.

On behalf of the National Catholic Association, let me once more thank you for this opportunity to express our views on H.R. 3471, and we shall be glad to assist you in any way including Federal assistance to students.

Mr. **Blouin.** Thank you.

[The information requested follows:]

THE NATIONAL CATHOLIC EDUCATIONAL ASSOCIATION,
Washington, D.C.

To: Members of the House Subcommittee on Postsecondary Education
From: Joseph Kane
Report: Response to Requests for Answers to Questions Posed During the NCEA Testimony, March 29, 1975

During my testimony before the Subcommittee on Postsecondary Education for the National Catholic Educational Association on March 29, 1975, a series of questions were asked, to which I indicated answers could be found.

The questions were:

1. What is the national average student budget at Catholic colleges and universities?

2. What is the default rate at Catholic colleges on National Direct Student Loans (NDSL)?

3. What is the average institutionally-funded student aid support at Catholic colleges and universities?

The answers to these questions are attached with the appropriate qualification regarding generalizations from the data.

A fourth question was posed on the reliance of Catholic colleges and universities on the two loan programs: National Direct Student Loans (NDSL) and the Federally-Insured Student Loan (FISL) programs. The question was to estimate how many Catholic colleges would survive if the two loan programs were abolished.

The question, of course, is based on an hypothesis which requires estimates of (a) the reliance of Catholic colleges on loans being provided to students through federal programs, (b) whether the number of students receiving loans makes a sufficient difference in terms of survival of the institution, and (c) whether the students receiving federally subsidized loans could obtain loans elsewhere and at reasonable rates of interest.

My personal guess or estimate, as you know, was that 50% of the institutions probably would close; affecting about 200,000 students. After checking a few schools, I may be underestimating the closings. Low-middle ($9-12,000) and middle income ($12-20,000) students utilize most the National Direct Loan program; the middle income, the Federally-Insured Loan Program. Removing these loan programs would drive these students into low tuition institutions. The numbers affected would be sufficient to close a large number of institutions if loan alternatives were unavailable.

The nub of the matter is what this would cost the taxpayer if these 200,000 were added to public college enrollments. Excluding capital expenditures which would be required either for the purchase of a failing private institution or the construction of additional facilities, the national average state subsidy to a student at a public college is $1600/year. Thus, the taxpayer would have to pay a minimum bill of $320 million per year in comparison to what NDSL interest payments and FISL subsidies are for students at private institutions. These interest payments and subsidies for students at private institutions can only be a fraction of $320 million.

I cannot answer the question: what effect will the changes proposed in H.R. 3471 for the loan programs have on Catholic colleges. The status of potential NDSL resolving funds is different for each institution, and there is no way to know how many FISL loans have been made. It is evident, however, that if the NDSL revolving funds are insufficient—and my survey of 10% of the Catholic colleges indicates that it will be at least 3 to 5 years before it will be adequate to meet the needs of its users (the low and low middle income student), more low income and low-middle income students will not attend these private colleges.

1. AVERAGE STUDENT BUDGET AT CATHOLIC COLLEGES AND UNIVERSITIES

The following information requested by the House Subcommittee on Postsecondary Education is derived from the reports made by the College Scholarship Service for 1973-74 and 1975-76. One hundred colleges and universities, or about 40% of the total number of Catholic colleges were tabulated from every part of the country. We believe that such a sample is more than sufficient to express accurately and reliably the average student budget at Catholic colleges.

	Total budget				
	Resident	Commuter	Tuition	R & B	Other[1]
1973-74	3,625	3,096	1,834	1,150	
1975-76	4,029	3,498	2,084	1,299	
2-year increase	404	402	250	149	
Percent	11	13	13.5	13	

[1] The CSS tables for 1973-74 listed "Other Costs;" the 1975-76 tables did not. Possibly the difference between the total budget and the combined sum of tuition and room and board would be indicate of these costs.

2. DEFAULTS ON NATIONAL DIRECT STUDENT LOANS (NDSL)

A survey of 25 Catholic colleges and universities was made, about 10% of the total number of Catholic colleges. The sample indicates that the default rate is about 8%.

Default, as used here, is a technical term. Annual information on fiscal operations reports submitted to the U.S. Office of Education on NDSL by colleges includes the following categories:

1. Total borrowers.
2. Fully retired loans.
3. Borrowers on schedule.
4. Borrowers not on repayment status.
5. Various periods for overdue repayments (121 days, 1 year, etc.).
6. No contact.

I have used as the time limit to indicate default "at least one year overdue." Another time indicator in these OE reports is "more than 121 days overdue." Since there is a certain elasticity in defining what is meant by "overdue," the longer period was used. It seems a clearer index of non-repayment.

3. AVERAGE INSTITUTION-FUNDED STUDENT AID AT CATHOLIC COLLEGES AND UNIVERSITIES

A survey was made of 18 Catholic colleges and universities, based on their HEGIS financial reports for the years 1968-72. Student Aid Revenue from federal, state, and local governmental sources, as well as private giving and endowments, was compared with total student aid expenditures.

Student aid expenditures for that 4-year period annually were 120% to 140% greater than revenue. For example, in 1970, student aid expenditures were $19.8 million, while student aid revenue was $8.7 million.

Of the student aid revenue, the amount deriving from federal funds was about 50% in 1968, decreasing to 40% in 1972.

In summary, for every student aid revenue dollar, the Catholic college or university must provide $2.20 to $2.40 out of current funds. Increasing tuitions is the only available means to make up that dollar gap between revenue and expenditure.

Mr. Blouin. Our next witness today is Mr. Ronald Iverson, president of the National Association of State Scholarship Programs, accompanied by Mr. Joe Boyd of the Illinois State Scholarship Commission, Mr. Ken Reeher, director of the Pennsylvania Higher Education Assistance Agency and Mr. E. Voss of Missouri.

STATEMENT OF RONALD IVERSON, PRESIDENT, NATIONAL ASSOCIATION OF STATE SCHOLARSHIP PROGRAMS, ACCOMPANIED BY JOE BOYD, ILLINOIS STATE SCHOLARSHIP COMMISSION; KEN REEHER, DIRECTOR, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY; AND E. VOSS, PRESIDENT-ELECT, NASSP

Mr. Blouin. Mr. Iverson, you may proceed any way you wish. If you would like your statement may be inserted in the record at your discretion and you can proceed with general comments or read part or all of it, as you wish.

Mr. Iverson. This is a short statement, Mr. Chairman, so I will go through it.

Mr. Chairman and members of the subcommittee, I am Ronald Iverson, president of the National Association of State Scholarship Programs and executive director of the Vermont Student Assistance Corporation.

On behalf of our entire membership, I want to express our appreciation for this invitation to appear before your subcommittee today to discuss House bill 3471 as it relates to grants to States for State student incentives.

Our most recent appearance before this subcommittee was almost a year ago, at which time there were 27 States funding and operating student grant and/or scholarship programs.

The initial funding of SSIG created a positive reaction of considerable proportion among the States. I am happy to report that 41 States and territories are currently administering State scholarship programs and the U.S. Office of Education has informed me that 51 States and territories are submitting their requests to participate in the program during the 1975–76 college year.

Certainly this response never would have occurred without the inducement and incentives offered by Congress through the leadership of this subcommittee.

We sincerely appreciate the Federal Government's recognition that States offer viable, complimentary or, in some cases, alternative mechanism to avoid cumbersome delivery of student aid resources.

In addition to the delivery of dollars, the States are equally committed to the dissemination of information regarding other financial aid resources available to the student.

With the advent of new Federal student assistance programs and approaches, State programs are no longer providing the basic platform upon which all other assistance is built; instead, our programs are supplemental to the direct Federal effort. It should be noted, however, that several States continue to provide the greatest portion of student aid dollars received by their residents.

As a result of these changes, we are sensitive to the acute need for coordination to avoid duplication and overfunding of individual students. We feel some stewardship is necessary and stand ready to act in this capacity.

State and Federal student aid must exist to complement and not overlap or replace each other. In this same context, the national association is pleased to support the significant role being played by the national task force on student aid problems, also known as the Keppel task force.

We are optimistic that improvements will be realized through the task force's efforts. Most States stand ready and willing to live in a new world with a common student data form, a new delivery system, improved coordination, standard methodology and terminology, and a long-term goal to make the calculations of a family or applicant's financial strength at a near common level.

Obviously, our enthusiasm and success will depend to a large degree upon the willingness of other parties—the Federal Government and postsecondary institutions—to equally declare their intentions and adopt the recommendations of the Task Force.

It is especially important to incorporate these findings into the Student Financial Aid Act of 1975. We stand ready to make significant changes in our operations and procedures to accomplish the common good, and we trust all others in the process will display the same willingness.

The $19 million of SSIG funds provided during the first year have been matched by participating State tax dollars, thereby providing grants to approximately 76,000 students for the current school year.

These funds not only assisted students from low-income families, but also helped many middle-income Americans bridge the gap between family effort and educational costs.

The first analysis of the programs' operation revealed that 53 percent of the funds were used for attendance at public colleges and 47 percent at private colleges. We applaud the full $200 million funding level stipulated in the bill. The success of the current SSIG program will be increased tenfold, providing direct help to more than three-quarters of a million students.

Let us turn toward the more specific items of House Bill 3471 in light of our association's long experience with student aid in general and our brief experience with the SSIG program.

First, the association welcomes the flexibility open to each State in the selection of uses for SSIG funds. However, we believe that these funds must be directed toward students who demonstrate financial need. An even greater portion of a student's financial need will have to be met through loans, if grant and scholarship dollars are diluted as a result of no need criteria.

Our programs of grant aid are need based and we feel that diverting a portion of these funds away from students to institutions would not represent a form of State student incentive grants.

Second, State legislatures are considering, or have recently passed, legislation enabling their States to participate in the SSIG program. To move to any new allocation system, other than the one we now have, would be ill-timed as numerous State programs are in the infancy of their operational year.

Both the legislative and executive branches in States are scrutinizing the benefits this program is bringing to their residents in a time of economic crisis and scarce State revenues.

If the program is dramitically altered so soon, without the benefit of additional experience, the current enthusiasm of the States may very well cool and lead to declining commitments.

During the current year, both existing and beginning State grant programs matched Federal SSIG funds with new State money. In anticipation of full Federal funding, the States responded positively, and as a result are currently capable of matching an additional $215 million if such Federal funds were available in fiscal year 1975.

The proposed allotment concept would deny, or substanially reduce future Federal funds to many of these States. Therefore, we recommend the existing allotment method be retrained at this time.

Mr. Chairman, we noted the bill deletes from the law the provision that the State agency applying for funds under this program is also the administering agency. To avoid confusion, we recommend that the single State scholarship agency continue to apply for and administer funds which would be awarded under this program, as presently defined in section 425C(b)(1) of the existing law.

In summary, we believe that effective complimentary programs of State, Federal, and institutional student assistance can only be achieved with a comprehensive and effective coordination effort.

The States have given every indication of willingness to cooperate, and believe that coordination will play a key role in any effective student assistance program.

Under the existing law, States have responded more positively than was originally anticipated by many; therefore, it would appear to be more advantageous to retain the same basic characteristics of the SSIG program which have proven successful in the short 9 months it has been operational.

My colleagues and I will be happy to respond to any questions you may have.

Mr. **Blouin**. I don't think I have any questions at the moment. Mr. Eshleman?

Mr. **Eshleman**. Mr. Iverson, you mention in your statement, pertaining to matching funds, that the States have $50 million and stand ready to match an additional $250 million. You mean the State legislatures have already appropriated that much excess of Federal funds?

Mr. **Iverson**. Yes. The matching year program.

Mr. **Eshleman**. Why would they do that?

Mr. **Iverson**. I think out of enthusiasm, (1) for the program, the new States coming in anticipation of the new $50 million funding left and, (2) existing States such as Pennsylvania, already did have excess capability for matchings from their base year.

Mr. ESHLEMAN. I am not talking about capability but you usually don't appropriate more than you need.

I used to be in the Pennsylvania State Legislature and we didn't do it. What I am saying is, and I don't mean to be sarcastic, the States had more money than we have down here.

Mr. IVERSON. They appropriate many times then the State legislation is finalized and also they may be closer to realistic need, for example, inflation, the lack of summer employment, college costs going up $200 or $300 and applications for grants increasing 35 or 40 percent in some States, the demand for student assistance is at an alltime.

Mr. ESHLEMAN. What is the average loan of a 4-year graduate and of a graduate student? Do you have a close approximation of what is the average loan?

Mr. IVERSON. I don't have one for the Nation. I think the National Council on Higher Education perhaps might have a line on it. In my own State the average loan is aproximately $1,000 a year. That is what we guarantee on.

Dr. Boyd may have an idea on that.

Mr. ESHLEMAN. What is the average in Pennsylvania?

Mr. REEHER. I believe ours is about $1,140 per year.

Mr. ESHLEMAN. You carry that through graduation, in other words, if it was a total of 6 years, it would be six times that?

Mr. REEHER. I don't think so because the average loan per year has been going up rather substantially each of the last 3 or 4 years.

The borrowing occurs more in the third and fourth years than it does in the first and second. But the National Council does testify here tomorrow and I am sure they would have the facts that underlie that.

Mr. ESHLEMAN. I have a third question which I would like to direct to Ken Reeher.

You have been heading the Pennsylvania Higher Education Assistance Agency for 10 years?

Mr. REEHER. Yes.

Mr. ESHLEMAN. All right. In that 10-year time, this is a two-barreled question, what Federal audit had been made of your State agency? Has any Federal audit, and I don't mean sending papers down here and having them reviewed at a desk, has the Federal Government made any audit of your Sate agency in the last 10 years?

Mr. REEHER. Yes, we have been subjected to HEW audit and GAO audit and 2 years ago, following the last audit, we filed into our public certified accounting firm, we built in auditing procedures that were established by HEW. So that they could take that audit and reduce the amount of time they were in our shop. We have had program reviews and the regular fiscal auditing.

Mr. ESHLEMAN. How often are the audits made by HEW?

Mr. REEHER. I believe our last one at HEW was 3 years ago. Since then we have built it into our main accounting firm audit which is every year, and we submitted a report to HEW.

Mr. Eshleman. Let's turn to the institutions. How often does HEW go to the campus and audit an institution, in terms of their Federal dollars?

Mr. Reeher. I don't know that. We are not, as a State agency, we are not involved in the same programs as the colleges.

In other words, they have the college-based programs. So I don't know how often they are in there. I think that our auditor general is in there about every 3 or 4 years and looks at the administration of the college based programs.

Mr. Eshleman. That is all of the questions I have at this time, but maybe Mr. Boyd can answer the question in regard to the average scholarships nationwide, public versus private? Does there seem to be a difference?

Mr. Boyd. State investment in these awards as now exists?

Mr. Eshleman. State investments as well as Federal.

Mr. Boyd. Well, 83 percent of the State dollars are limited to tuition and fees; I would assume that the average tuition and fees at public institutions is probably near $500 for the nation. I would have to estimate that as a maximum award because we are permitting in most cases public; at private I know the average award is approximately $1,235.

In many States the setting of the maximum to permit choice would be a little below or above it. I would point out to you here, that every dollar you put in SSIG permits, by Federal policy, not only giving flexibility to the State, but letting students implement one of the fundamental choices, as I see it, of taxpayer aid, which is not just the loan asset of the basic grant, but permitting choice to it through SSIG dollars.

You want a tighter schedule for basic grants and make it predominantly access money, but your moneys you are permitting the States to administer on a matching basis will be on relative need and permit a substantial amount of choice to be made, reasonable choice by students in those States.

You will be able then to control, over a time, by the level of funding and the maximums you put on both basic grants and SSIG grants, how you wish these things to work in consert.

To me it is a fundamental purpose you should have in mind as you fund both of the programs because the States believe strongly, my State and many others, insofar as the purpose of the taxpayer dollars, reasonable choice is almost as important a public choice as access and I think you must sense it as you fund or don't fund SSIG as a public policy what would happen.

Mr. Eshleman. Apparently because of size differences there are adjustment considerations for selection of these scholarships. You take into account the cost of tuition?

Mr. Boyd. Absolutely. Most of us offer relative needs, realistic budget, including tuition, room, and board costs and institutional fees and we compare family strength against that budget. Therefore, it does increase the level of income families have when they face the higher cost schools.

Mr. Eshleman. That is the next question. With regard to room and board, do you consider it as a cost of education?

Mr. **Boyd.** Absolutely. We try to build a reasonable standard budget, most of us for room and board as we consider the costs that student bears and it is part of the formula in determining how that family has need.

Mr. **Iverson.** In the same context it is central that the subcommittee realize in many institutions tuition and fees only represent 20 percent of the student's budget. Even those costs may be covered, without additional money, we have this situation, of his total budget.

Mr. **Eshleman.** You mean at a public institution, yes, at a public institution 20 percent may be tuition and fees. The rest is the money he needs to attend school. You mean 20 percent?

Mr. **Iverson.** That permits tuition equalization to exist in most State programs where your choice of school will determine the amount of State investment put in in terms of the size of the award. which we believe is necessary by State policy if the student will have a choice.

Now, we try to balance that in terms of how much additional is needed to still permit reasonable choice to take place.

Therefore, I would hope basic grants would never be limited to tuition only. I think basic grants must always be applied to any legitimate cost the student faces because you will be in conflict with basically what States try to accomplish in limiting their awards to tuition only.

Mr. **Reeher.** I think it is important you realize that the 83 percent we are talking about being limited to tuition and fees, that we mean by that that the award does not exceed tuition and fees, but in fact the room and board is computed in whether or not the student qualified on a needs basis.

Mr. **Eshleman.** I see.

Mr. **Reeher.** We include all of the costs in determining need but in rationing out the money the State award does not include tuition and fees in the 83 percent.

Mr. **Iverson.** I think what you are saying is the maximum grant from a State scholarship agency would not be greater than the tuition and fees.

Mr. **Eshleman.** Regardless of whether it is public or private institution.

Mr. **Iverson.** The BEOG's programs could possibly pay for all of this tuition and fees and we go on top of that.

Mr. **Eshleman.** Do you see the need for development of a scholarship grant or loan program that speaks to room and board costs for education, to the nontuition and nonfee costs?

Mr. **Reeher.** I would like to suggest the partnership of the State and Federal moneys would do that. We have been looking to the basic opportunity grant as the basis on which other aid would be built. Building thereon by the State agency, with a combination of State funds and SSIG, supplemented by possibly SEOG at the private institution and then loans and work, so it becomes a package.

Mr. **Eshleman.** All right, in that kind of situation you would begin to exceed the tuition costs on grants?

Mr. **Reeher.** I don't think so. I don't think—well, I should say if you have full funding of your programs when you bring all of these in concert, that a State can limit its award to tuition and fees and the student could in fact have full costs covered by the partnership of the Federal, State, and institutional funds.

Mr. Voss. I would add this thought. I think one of the concerns I feel is the heavy loan burden that students might be called on to bear in the 4 or 6 years or 7 or 8 that they are at school. The critical point is full funding, if not only the current campus based programs, but I think BEOG and SSIG.

When you put these together as a package and given the institutions the capability of some flexibility in managing their programs, that you have harmony there that will benefit the students.

If there is any serious thought about dismantling NDSL, which is a campus based program, it seems to me it should be done with a previous announcement, and it should be done over a previously announced period of time, rather than an abrupt termination, to not then, as a result, overload the other campus based programs as well as BEOG and SSIG.

Mr. Eshleman. What do you see as the end result of the elimination of that program?

Mr. Voss. I think at the moment, it would cause some real consternation on the campus because it is the one loan program that they have a handle on.

You help the students who are unable to get the State guaranteed or Federal insured student loan from a lender, and there does have to be some reluctance in some States, in some areas, for participation.

Mr. Eshleman. You are referring, though, to all sectors of our education, not just public or private?

Mr. Voss. I would say across the board.

Mr. Eshleman. [presiding]. Mr. Simon.

Mr. Simon. First of all, let me just say one quick word about Dr. Boyd's work. It has been outstanding in Illinois and if the rest of you serve your States as effectively as he does the people in the State of Illinois, then your States are being well served.

I was interested in a phrase you used here, "the overfunding of individual students."

Mr. Iverson, I am interested in what you mean by that and how many students may be involved in that?

Mr. Iverson. Historically, State programs were the initial source of funding. We would be in the base of the pyramid. Now with the advent of the BEOG program, as we are entering our awarding phase in the next few weeks, we are almost working with blinders on because there is no coordination with the BEOG program as far as enabling us to determine how much money that student will receive in BEOG so we can package it on top of this then the institutions would begin to package.

That is why we refer to the coordination aspect.

In my State I am particularly feeling it, and I know, Joe, you are feeling it in Illinois.

Mr. Simon. What might a student receive under this kind of duplication?

Mr. **Boyd.** He faces, based upon the new ceiling announced as determined for BEOG the possibility of maximum there plus potention maximum State award, unless there is someone coordinating all of it with the combination of Federal benefits, veterans' benefits, Social Security, educational benefits, the possibility of other institutional aid.

I think what we are trying to tell you is that we are just as anxious to help the needy student, but simultaneously I think as a protection of the tax dollars we don't want students having more dollars than they need to attend the college of their choice.

Somebody is going to have to play a role in that regard and I think the States are best prepared to play that role at the moment in terms of the structures we have.

I think we are bringing testimony today that never in the future, like it may be necessary tomorrow or the next year, to really make it very clear that is our role and we do want to play it.

It may mean we will become more involved and I think many of us as being delivery systems for the tax dollars that are either determined by entitlement schedule such as basic grants or through out SSIG funds.

I think this is a viable issue of the future as to what other ways, other than what we have been delivering, basic opportunities are out there. I say that many, many State agencies are ready to deliver to the students all taxpayer dollars, be they Federal or State, which are objectively determined by formula.

I think we are subject to audit like anybody else is and we deliver according to what you want. We will maximize the utilization of basic grants as a vital source of aid in this country. That is another way to help the stewardship problem of overawarding because we will have in our shop realistically determined budgets and knowledge in advance of what he is receiving in taxpayer dollars or she is receiving.

Mr. **Simon.** I know the idea of coordination is obviously a very desirable one. I guess what I am really interested in is, if we are just handing out any high largesse to the student. What amounts are we talking about?

Mr. **Boyd.** I think it is a rather minor proportion in the last year or two, but it has a chance to become quite major because the total growth of the funds available in Federal student-aid dollars and really in the growth of State programs, we are adding substantially millions, both parties, State and Federal governments, and I think the potential of this problem is growing each year.

I think it should be carefully monitored. Somebody is going to have to monitor this. I think many States have an ideal ability to monitor it for you.

Mr. **Simon.** Let me put it specifically. John Jones is an individual student. What is the possible maximum that John Jones can receive under this kind of duplication?

Mr. **Iverson.** In my own State, for example, the John Jones could come from a family where the father is deceased. He could receive the maximum BEOG award. He could possibly receive a maximum State award. He could receive upwards of two or three thousand in

VA and Social Security benefits if his father were a deceased veteran.

Mr. SIMON. You are talking about a possible $4,000 total?

Mr. IVERSON. He is eligible for this maybe to attend an institution or rather closer to $5,000 or $6,000.

There may be costs in tuition, $300 or $400. He would certainly have funds for his room and board charges.

In Vermont's case, when we entered into an analyzing these particular resources, we were ignoring over $1 million for 6,000 students in this one area. So it is considerable. It has enabled us to fully package in probably one of the highest public tuition-charging States in the country, to fully package cooperation with the colleges and in coordinating these funds. We are a very small population, with a loan requirement at one institution of $400.

Mr. SIMON. But if the $1 million is there in Vermont, nationally you are talking about a pretty substantial amount of money. You are talking about the biggest financial aid program in the United States between Social Security and VA benefits.

Mr. VOSS. I think this committee does not want to leave the impression with you people there are a lot of people around the country with two times as much money from aid programs as they need.

Currently, it is pretty much the responsibility of the campus finnancial-aid officer to be the watchdog on all of these sources of aid.

Chronologically, an institution may make a package of campus-based program awards to a student in January and meet his full needs. The student may come in then in May with a BEOG entitlement and the campus-aid officer is then responsible for repackaging and reducing that administered by the institution. At a later date, possibly, he comes in with a grant or scholarship and again it becomes the responsibility of the aid officer to coordinate and again reduce the campus administered programs.

It becomes a real problem for them, under the current system with the kind of fragmented, if you will, funding levels and announcement dates, to be the watchdog on financial aid resources.

The Federal programs, State programs will say very explicitly that a student cannot receive more financial aid from all sources than he or she needs. But it is still the responsibility currently of the aid officer with his expertise or lack of it to coordinate these.

Mr. SIMON. If I may direct a question to you then?

What I am trying to determine is if you are seeking Social Security information, VA information, all of these other things? Are we talking about enough potential abuse that we need that kind of program?

On the basis of what the gentleman from Vermont suggests, it may be a needed expenditure. In your opinion, is it?

Mr. VOSS. If I understand your question, you are saying or asking, are veterans' benefits and Social Security necessary as a resource to finance education?

Mr. SIMON. Well, what you want is full financial information? You want to have that available?

Mr. VOSS. Right.

Mr. SIMON. And you feel that the cost of providing that information is justified?

Mr. IVERSON. We have that information now. What has happened, the Federal programs are being funded. This college-aid officer does not control the funds which could possibly overfund the students.

Just take the BEOG program, the State scholarship program, and the Federal Social Security and VA benefits, that will in many cases put the student right over the top.

Mr. SIMON. And you have that information now?

Mr. IVERSON. Yes. We utilize that and we in my State provide that information to the institutions along with tax information and so forth up to the point they have the data to utilize their dollars.

Mr. SIMON. But you diminish your award on the basis of that information, correct?

Mr. IVERSON. Not on what the colleges do, but the other Federal, absolutely.

Mr. BLOUIN. Are you suggesting that it is possible for a student to collect more than what his tuition, room and board, and educational costs are and that is happening today?

Mr. BOYD. It will tend to happen for the next year, because to attempt to work out as equitably as you could, how you are going to treat the veteran with a basic grant—and there is where the main problem will happen with the funding next year.

Mr. BLOUIN. Why would a Federal Aid Administrator want to overfund a student to allow one individual student to receive more than his costs when there is not a college, to my knowledge, anywhere, that is overcrowded.

Mr. BOYD. You have basic entitlement both in terms of basic and veterans grants. Once you qualify for the formula, the money is there. So, it is an entitlement to him, not necessarily one is need based and the other one is not.

This is by Federal statute what he is truly entitled to receive.

Mr. BLOUIN. But the need funds are floating figures, are they not?

Aren't they based on moneys available and the need he has in comparison to costs?

Mr. IVERSON. Not in the true sense of the entitlement.

The BEOG program is, but your social security and VA and GI bill benefits are direct entitlement.

Mr. BLOUIN. Yes; I would like to see statistics on it, and in what part of the country those problems exist and how pronounced it is.

Mr. ESHLEMAN. I thought one of you testified that the student aid officer on the campus has the right to readjust the needs grants? Why wouldn't this readjustment happen?

Mr. IVERSON. He does not control the destiny of these funds to a student. These go with the student.

Mr. ESHLEMAN. Well, either he has the right to readjust or doesn't have the right, which is it?

Mr. IVERSON. He has the right to readjust the funds provided to his institution to distribute it at the institution's discretion, but no right and no way, under existing law, on what has to be done with social security, for example, educational benefits.

Mr. BLOUIN. He has a right to take it into consideration?

Mr. Iverson. Absolutely. As a resource.

Mr. Eshleman. Couldn't he lower one of the State grants?

Mr. Reeher. I think the way we got where we are now, we are looking at the present situation at the same time we are looking at the possibility that might occur next year.

For example, when a veteran has full veteran's benefits, which takes care of maintenance, room and board, and so forth, and he might also come in for a BEOG under the proposed legislation, where it might be $1,400 at a $400 tuition school, so that he could be overawarded in that case. And the aid officer does not have the prerogative to cut either of those, what you might call, basic entitlement programs.

However, in a program such as we operate in Pennsylvania, and the others, where there is a fusion of State funds, we generally do give the financial aid officer the prerogative to look at all of the aid that is available, and if a student is overawarded, to allow the aid officers to make a cut.

What our organization is saying is that, we stand ready to help you coordinate as you put Federal funds into the student aid community through SSIG and through BEOG.

If I might give a personal example, I have a job on Thursday of this week, of educating the PAGA Board as to how they should set their needs analysis. We have been looking at veterans. Last year, when we looked at them, they had the GI bill and they were not getting into BEOG. They got an increase of 23 percent in their GI bill. And it appears to us that the veteran in the community college is much better off than the veteran in the full-charge college, the private sector.

Now, we are being told that the veteran will become eligible for BEOG this coming year, so we are concerned with overawards, as we have been talking here. But we are also concerned with an adjustment to the commonwealth objectives in spending the $75 million that we spend. So, we are trying to look at veterans.

In the last 2 weeks, we sent out a questionnaire. We have seven regional offices, and we had our people visit on campus with the questionnaire and talk to a random sampling of veterans. We are trying to determine: Could we better spend Pennsylvania's funds, if the veterans are going to get the GI bill, plus the BEOG?

In other words, we might want them to have both of them, full entitlement at a full-charge school and then on top of that a State grant, but at a subsidized school, we might not.

Our questionnaire showed us that 30 percent of the veterans were enrolled prior to April 1 of 1973 and will not be in BEOG. An additional 20 percent have been receiving parental support and would not be emancipated or independent according to the BEOG standards.

Another 40 percent—and I should not say another 40 percent, but 40 percent of the veterans are married, and 29 percent, their wives are employed full time.

So, we have decided that we cannot classify veterans as a group and say: We are going to do XYZ with veterans. We are going to have to look at them on an individual basis.

The same is true of social security benefits. We have found, in our analysis, that we have three times as many low-income people in our State scholarship program as there are BEOG, because the widow with home equity, say, is bounding out of BEOG.

We find, when the home equity gets to be $24,000, they are out of BEOG. So, we cannot just take and apply a rule-of-thumb to all of these categories. We have to look at individual cases.

I think, what our association is saying is that, our State agencies stand ready to help you in coordination of State and Federal funding, and we feel it is very necessary or abuses will occur.

Mr. **Eshleman.** The problem is not there yet. You are just suggesting it may develop.

Do you know of any case where a student in this country has received in various grants, more than his costs or her costs of education?

Mr. **Voss.** I think that would be a pretty sweeping statement, Mr. Chairman. But at the same time, the State, I would suspect, would view veterans benefits, social security and that type of income as a resource. BEOG, added to that, would be another type of resource to help meet that institutional budget, which includes tuition, room and board, some travel, some books, and miscellaneous.

Now, if there is a State grant and SSIG grant that comes in on top of that, then the aid officer does coordinate and sends back our money, if it exceeds that budget. They are expected to abide both Federal and State laws; as well as that is being monitored, that is the dependency we have to have on them.

Mr. **Eshleman.** You are suggesting it may not be done in some cases?

Mr. **Voss.** I would not make that suggestion. I think that perhaps it is an oversight wherever it is done, not deliberate.

Mr. **Reeher.** Mr. Chairman. I would like to come back to the early point I made; that we are not as much concerned with that now. Certainly there would be a minority of abuses, but we are concerned that, as the BEOG program is funded and, particularly, the way the legislation is geared, that there may be spots where Federal funding that was not subject to adjustment by the aid officer could result in overawarding.

Mr. **Eshleman.** If this bill is passed?

Mr. **Reeher.** Yes.

Mr. **Eshleman.** Mr. Quie.

Mr. **Quie.** Did I understand, the overwards ought to be then determined by financial aid officers in the school and the money goes back to whomever provided the money?

Mr. **Reeher.** In fact, if an overaward occurs, yes.

Mr. **Quie.** You would have to give them authority in BEOG as well as SSIG?

Mr. **Reeher.** Under this proposed legislation, yes.

Mr. **Quie.** Would you then think it would be better in the States that have developed a capability that both BEOG and SSIG be administered by the States?

Mr. **Reeher.** I think, in Pennsylvania, we have the capability and stand ready to administer BEOG according to Federal guidelines, if it is the committee's wish.

Mr. QUIE. That means you would have two needs formulas, wouldn't you? One for the BEOG's and one for your own purposes. Are you given flexibility in Pennsylvania with the schools the way you have now with the institution-based programs of using these monies?

Mr. REEHER. Right now, there are really three need analyses, the BEOG, the Pennsylvania program, and the institutional program.

What we actually do is, we compute our needs and we tell the school that the other programs can fill the unmet needs. But whenever the need is filled, then they can go through a reduction process. Whether or not we would come up with one need's concept, I would hope that the Federal Government—I am sure Pennsylvania is ready—if the Federal Government would adopt the outcome to the recommendation of the Keppel Task Force, we could conceivably come up with one assessment of the family's ability to pay and then how BEOG would spend their money and Pennsylvania would spend theirs within that. We may have different rationing devices, but at least the family, we would hope, would have one application for the aid and one assessment of their ability to finance education.

Mr. QUIE. As you look at it, would you then start out with social security and the GI bill for the ones that qualify for these programs and then look at BEOG's so if there was any grant that was greater than their needs, you would take it off of BEOG or what?

Mr. REEHER. This has to be my personal opinion, because I don't know the association has a position on it. But I look at social security and the GI bill benefits as being different. One is a reward for service, and the other is really purchased services.

I clearly see the GI bill as being a benefit that accrues to the veteran, whereas, the social security benefit, there have been two philosophies there. One, BEOG is student scholarship, and in Pennsylvania, we treated it as a widow or parental income. I would like to think that BEOG could be administered as the base for the general applicant and that the State program would build on top of that and that final discretion in building the package would be left to the student aid officer.

One of the main problems that we have is these things all occur at different times and on different standards, and the aid officer very often finds himself boxed. And he has set a package up, and then someone comes in with something different, so he is in a position where he has to rescind the award. I don't know if there are other directives on that.

Mr. IVERSON. I think, in contracts with the new States and in my own State—and, again, I can't speak for the association, but we have taken a position on it—we use a common application in our State. We build the base, and we share the data that we obtain with the aid officers, because we can do it easier than they. And they share something back with us from their individual contacts with students and fill in the dips and valleys, and we work closely like this.

In fact, we are making financial aid programs for people in junior high school prior to their decisionmaking process in the secondary schools. But the colleges and the States seem to be knitting together the final package, very readily, as it is working out in my own State.

Mr. **Quie**. Do all States in SSIG programs use a needs analysis for every student in every institution?

Mr. **Boyd**. No. The Commissioner approved a variety of schedules this past year acceptable within the law, and many use ACT, SAT, PSAT, and their own system, but he had to review carefully that the system was attempting to calculate need within the parameters, et cetera.

Mr. **Quie**. Do you know how many States use their own system?

Mr. **Boyd**. Congressman, I think there are about six or seven of us. We are using ours entirely. We are all willing to realize this kind of world which we see ahead, where this will not continue to be; we want to come nearer a common standard because of the problems that have been created in coordinating programs, in families understanding what is happening to them when they get such divergent answers as to whether or not they qualify for taxpayer dollars. And I think we all agree that the world must change.

Mr. **Quie**. If we decided it was preferable that States have the opportunity to be the administering agents for BEOG, as well, how many of the States do you think would have that capability? We would have to say, then, by the year after next; that is about as soon as that could go into effect?

Mr. **Boyd**. I don't think it would be immediately more than 8 or 10, but it might be serving 45 to 60 percent of all students, and you are talking about major States with a large population, which would be the first ones equipped with the administrative budget to immediately assume that assignment.

I think you would have to have other alternate means of delivery for a while, but if you talk about good coordination and improving delivery to the family the whole program was established to serve, I am convinced we can deliver substantially more dollars to the families you developed the program for than are the current mechanisms delivering.

I am confident of that.

Mr. **Iverson**. The new States that are just evolving as a result of the new SSIG funding, I think, during this year, would certainly, find it difficult, if they just bring up their own mechanism in the BEOG program. I know, all four of us in this hearing—Mr. Voss is in his second year, he is in a position to adminster that. I would strongly recommend that the option be given to the States to determine that BEOG index and the amount.

Mr. **Quie**. Of the 50 States, there are some that still won't be under SSIG, what is it, three or four of them?

Mr. **Iverson**. Right now, there is a constitutional question, and it is New Mexico and, then, American Samoa, Guam, and the trust territory indicated as of today they will not participate. I think—Alaska, because of the small level of funding, is teetering, also.

Mr. **Quie**. Is Louisiana going to be in there?

Mr. **Iverson**. I believe so. Louisiana is one of the nine that, that—they are in the process and have until the end of this month to make their decision regarding fiscal year 1975.

My indication, from the Office of Education, is they are acting positively.

Mr. QUIE. So, then, the reasons would be New Mexico has had a Constitutional problem, and Alaska believes it is too small a program for them?

Mr. IVERSON. Yes.

Mr. QUIE. You mentioned that we could take the results of the Keppel Task Force. We are hopeful it will bear the kind of results that we can all agree should be the ones that can be used. That will need updating later on. Do you think we need to set up some kind of national commission that could update it year by year?

Mr. BOYD. If they come out with a recommendation on how to do it, I would strongly recommend some kind of body that we can continue with the attitudes and forward steps forward that the task force has developed. There must be an annual review on what further refinements in formula, coordination, in standard application are needed.

I would trust, though, you would look at what the Keppel Task Force looks for, continuation of that protest, and then debate legislative action that is needed if that void is there to be filled.

Mr. QUIE. Some of the States now provide work programs with their State programs, and they are not allowed in SSIG, is that right? Would you favor the idea that we give the States the kind of latitude so that they could have work study with those grants?

Mr. IVERSON. The association would certainly support the flexibility of that.

Mr. QUIE. Another thing is—I keep getting letters from people wondering about student assistance programs. Prior to our 1972 amendments, we just told them to contact the institution that they planned to attend, and they would have all of that information.

Now, we have the BEOG program, which is federally administered, and SSIG, which is State administered, and do you think that we could have some kind of cooperative arrangement between the Federal Government and the States to have information available for all citizens in a central place?

Mr. IVERSON. Certainly. The States are undoubtedly now assuming this role of dissemination of information regarding financial aid resources to the point of sending from rosters of high schools to every applicant packet describing all programs.

I think you will find the States are a body that are concerned with students. We are student oriented and not institutionally oriented, and as a result, our efforts are founded in providing students with knowledge concerning every possible resource available to him under the sun to help him meet educational expenses and the availability of scholarships from General Motors or ROTC scholarships for 4 years.

Mr. QUIE. Where do you find that information on scholarships and aid from private sources?

Mr. IVERSON. Usually, within our State, we compile, again, and cooperate with the institutions, file it in a book and publish it for the high school people. And usually, you find that lends itself nicely to local coordination within the guidance community.

Mr. QUIE. To what extent do you provide information now in

States on loans for private schools and, especially, proprietary schools, at the postsecondary education?

Mr. **Reeher.** Mr. Quie, in Pennsylvania, since our program was started, I might say, when Mr. Eshleman was vice chairman 10 years ago, we have always incorporated the proprietary, trade and business schools, and nursing schools in our program. We have them in the loan program and in the grant program.

We send every high school junior a brochure explaining all programs and touch on the Federal aid student programs as well. In the senior year in high school, if they have taken college boards or ACT, we secure the name and address from these associations and we send an application directly to their home.

We give high school counselors applications and also tell the high school counselors the name and address of every student to whom we have sent an application in his high school.

About 6 weeks later, we tell the high school counselor those students who have returned the application, and we ask them, of course, to distribute applications and then just before our deadline, we go back a third time and tell them from whom we received applications.

I think this kind of coordination is the kind of thing that can be developed in all of the States through a State agency working in consort with both the Federal and State funds.

Mr. **Voss.** I think, again, Mr. Quie, speaking for all States, most of them have very well organized State financial aid associations, State guidance associations, and there is a concerted effort by all of the State agencies to work with and through them to disseminate information.

Mr. **Quie.** How are the non-4-year institutions represented on your board or policymaking body?

Mr. **Reeher.** On ours, they are represented two ways. First of all, we have an advisory committee that is composed only of trade and business school representatives, and they give us the input that is purely to their benefit. Then, they also sit on our total advisory committee, maybe 2 members out of 10 or 12 for that same purpose.

Mr. **Quie.** But how about the rest of you?

Mr. **Iverson.** My State, they act in an advisory capacity, but our programs are open. Probably, Vermont has the widest spectrum of eligibility of any State in the country from film-making schools to any type of proprietary schools because of our very limited base of educational opportunity.

We do publish an index of all vocational technical courses, offering some things I never heard of before. We are very open to that and working, again, with the students. This is why I say we are student oriented.

We are working with him to obtain an education that meets his need, and that is not dictated to him because of the dollars available.

Mr. **Boyd.** We have a president of a community college on the board of the Controlled Scholarships Commission, and the Governor is free to name others as he wishes, name members at large, but I have a president of a community college on our board.

Mr. **Quie.** What about proprietary schools such as Bell & Howell?

Mr. **Boyd.** Well, the Governor would be free to name one of those if he wishes, but he has not yet named one. You are talking now about the student aid administering agencies, also, in the States the boards of education have become the 1202 Commission. They have recognized them through and regular reporting of such a group at their meeting. They hold an advisory council of proprietary schools in the State.

Mr. QUIE. What about the problem where we now have consumer protection raised in higher education as well, and at the present time, I think it is centered on proprietary institutions. But I expect increased support for help so a student may attend any kind of institution. Do you see your agency or a State agency providing that kind of help and information?

Mr. REEHER. We are one step closer. I think it can be done more effectively if you are working with a couple of hundred institutions and a couple of hundred thousand students, as opposed to millions. I think it can be done more effectively.

We all have, within our States, consumer protection agencies, which really is the first place a complaint is filed. And there are interagency relationships that can be developed. I know, I have personally turned over to our consumer protection agency complaints about certain schools.

I feel that they are better equipped to do the investigation than we are. I believe we have that kind of coordination capacity.

Mr. QUIE. Do you think it really should be another agency?

Mr. REEHER. Yes. We tried to stay in the business of student aid and out of policing, if at all possible.

Mr. VOSS. Missouri legislation authorizing our program does not enable us to help proprietary schools. There is legislation introduced, however, that would license, or regulate, those within the State.

My personal feeling, again, would be that I could work with that group and coordinate efforts along the lines of recognizing and assisting, and then, it can be centrally from here on, or nationally accrediting association of proprietary type schools.

Mr. QUIE. Thank you, Mr. Chairman.

Mr. BLOUIN. Mr. Harrison.

Mr. HARRISON. With the Chair's permission, I would like to direct one question to the group.

I share, Mr. Voss, your concern about the impression you may have left, the four of you may have left, in talking about overfunding and overawarding. I think what you are talking about is where the administrative control of over awarding in each individual case should reside. That is important to the committee, but I do hope you can assure me that you are not meaning to leave the impression that, with the combined efforts of the Federal and State Government, as they are going to be, let's say, next year, that, there is in fact more money out there than the students need to get through postsecondary education?

Mr. VOSS. Absolutely not. It is when we took all of the programs and said one person is eligible for everything, that one case, you may find a student with a full budget and another case not, and that is where we divert the money. Certainly, even with funding levels, we don't have enough money.

Mr. Harrison. The reason the chairman is not here is he is over at the Budget Committee fighting to keep the education budget, including student aid from being cut, and I hoped you were not giving me a message to go over and tell him to forget it.

Mr. Voss. We will go over and help him.

Mr. Reeher. Mr. Harrison, I can give a good example on that. This year, in Pennsylvania, we anticipated, at the beginning of the year, that veterans and social security recipients would not in fact be eligible for BEOG, but when the Federal need's standards were introduced, they were not. So, we came back and reconsidered all of those cases. As a result, we spent $75 million in Pennsylvania, and we were $9 million deficient. And we had to turn away 10,000 late applicants. And at the same time, the Federal program is showing a carryover of $140 million.

Mr. Harrison. Thank you, Mr. Chairman.

Mr. Blouin. Thank you, gentlemen, for your testimony today. I appreciate it very much.

The next witness we will hear from this morning is Mr. Richard Ramsden, executive director of the Consortium of Financing Higher Education.

Mr. Ramsden, as with the other people today, you have the option of inserting your statement in the record and making some brief general comments, if you wish.

STATEMENT OF RICHARD J. RAMSDEN, EXECUTIVE DIRECTOR, CONSORTIUM OF FINANCING HIGHER EDUCATION, ACCOMPANIED BY R. JERROLD GIBSON, DIRECTOR OF FISCAL SERVICES, HARVARD UNIVERSITY; WILLIAM IHLANFELDT, DEAN OF ADMISSIONS AND FINANCIAL AID, NORTHWESTERN UNIVERSITY

Mr. Ramsden. I would like to read my statement, if I may.

On behalf of the consortium and its chairman, president David B. Truman of Mount Holyoke College, I appreciate the opportunity to comment on H.R. 3471, especially the loan portions of the bill. With me this morning are R. Jerrold Gibson, director of fiscal services at Harvard University, and William Ihlanfeldt, dean of admissions and financial aid at Northwestern University. Both gentlemen are responsible for the loan programs of their respective universities and are extremely knowledgeable in the field of student assistance. Both represent their institutions on the policy committee of the consortium.

The consortium consists of 33 private colleges and universities located throughout the United States. The group was formed in 1974 to facilitate cooperative work among the member in a number of areas, from comparative cost studies to market research to student assistance. In this third area we expect to be able to submit to the subcommittee an extensive analysis of title IV, with detailed recommendations, by the middle of April.

Mr. O'Hara, in his remarks on February 20, made it clear that in his view there has been too much reliance on student credit in postsecondary education in the United States and that student assistance has gotten out of balance. We agree. We also believe, as he does, that the most certain way to reduce defaults and the high cost of loan programs is to reduce student reliance on credit, and that requires greater funding of grant and work-study assistance

I think we often fail to realize that many of the problems of loan programs with which we are presently dealing arise from the fact that until recently the Federal response to growing student financial need was largely through student credit. As recently as academic year 1972 when loan assistance under the GSLP and NDSL programs totaled approximately $1.7 billion, total Federal grant assistance under the educational opportunity grant program was one-tenth of that figure, or $168 million.

Since 1972 the growth of the basic grant and State scholarship programs has begun to redress the balance at the undergraduate level, but we are still dealing with problems created by an overwhelming reliance on loans during the late 1960's and early 1970's.

I should also make clear at the outset that institutions of higher education have not sought their new role as creditor. Since the mid-1960's private institutions of higher education have made considerable strides in enrolling low-income and minority students. On average, minorities account for about 10 percent of the undergraduate enrollment at the consortium institutions today, up about 1 percent from a decade ago.

To meet the needs of these and other students, at the consortium institutions over the past decade, we have tripled our own resources devoted to grants, and our own grant assistance far outweighs the Federal and State grant support received by our students.

Student need, however, has grown even faster than our ability to meet it, especially since we admit students based on ability and not on need. As a result, we have had to require sizable self-help expectations of our students in the form of jobs and loans. Today approximately one-half to two-thirds of all undergraduates are holding jobs during the school year.

We have also learned that many low-income students, to meet their personal and career goals, wish to pursue graduate or professional training. But with Federal fellowships having declined in number from approximately 51,000 in 1965 to 6,000 in 1973, students have increasingly found that loans are often the sole form of assistance available at the graduate and professional level.

For out-of-State graduate and professional students, especially if they are low-income or minority, the availability of guaranteed loans from commercial lenders has been, to quote one of my colleagues, "erratic at best, deplorable at worst." It is against this background that many institutions have found it necessary to become lenders under the FISL program during the past 2 or 3 years. It is against this background that we agree with the chairman that we would like to see a reduction in the reliance on student credit.

If we agree with Mr. O'Hara on our goals, gentlemen, we do not agree, however, on the best means of accomplishing them. During the course of the subcommittee's hearings on title IV numerous failings of the existing student credit structure were stressed, including uncertain unavailability of capital, unequal access to credit, accelerating program costs, burgeoning default rates and complex administration. In the face of such problems the judgment has been made in H.R. 3471 that the solution lies in several key steps:

One: Terminating the FISL program, and transferring the responsibility to the States;

Two: Eliminating all educational institutions as lenders under the GSLP; and

Three: Reducing Federal support for the NDSL program and, in effect, turning the $2.5 billion of NDSL receivables over to educational institutions to use in their own loan programs, if they so choose.

I would like to examine those recommendations in somewhat greater detail.

First, I think it is worth pointing out that unlike grant programs, where a new one can replace the old, existing loan programs must continue to be administered according to their terms and provisions until the last loan is paid, even though a new loan program has been introduced. For this reason we believe that loan programs should be written with extreme care since the provisions remain in effect, regardless of future revisions, for a long, long time.

Termination of FISL and transfer of the GSLP to the States would, it is true, reduce the administrative responsibilities of the Office of Education, and that may be desirable. It is also true, as has been proven in Pennsylvania and New York, that State guarantee agency programs can be effective if the requisite resources and leadership are devoted to the task.

Nevertheless, even if all the States and territories were willing to assume this responsibility, which is doubtful, the most likely result of a complete transfer to the States would be the creation of 50 or more programs of widely differing quality with a myriad of student credit instruments. It would eliminate, in our judgment, the possibility of a clearly understood national student loan instrument which could be consolidated regardless of the State in which it is issued. And it would frustrate Sallie Mae's efforts, as well as any future private efforts, to create a secondary market in student loans in the United States.

I suspect we would be exchanging the known problems of the FISL program of 1975, problems which are now recognized and being addressed, for a new set of problems which quite possibly we shall just begin to understand about 1980.

The proposed bill would also eliminate educational institutions as lenders under the GSLP, ostensibly for the reason that educational institutions are equipped to teach and financial institutions to lend, but not vice versa. Of course the real reason is defaults.

Based on USOE data presented at Senate default hearings last September, the cumulative FISL default rate at June 30, 1974, was 14.5 percent, and was still rising. Using General Accounting Office projections, which are more pessimistic, the cumulative FISL default rate could rise to a high of 24 percent at some point in the future.

In arriving at that figure, the GAO projected default rates of 12 percent for students who attended private institutions, 15 percent for students who attended public institutions and, most importantly, 47 percent for students who attended proprietary institutions.

We also know that over half of all the defaults under the FISL program to date relate to students at well under 100 educational institutions, and about 60 percent of all high default institutions nationally are located in two States, California and Texas. Despite these facts—that defaults are highly concentrated in certain institutions and certain States, and that almost all loans to date have been originated by financial institutions and proprietary schools—the generally high level of default rates has resulted in the argument that all educational institutions, colleges, and universities as well as proprietary institutions, should be eliminated as lenders under the GSLP.

In response to such arguments it might be helpful to make clear that several important distinctions exist between institutions of higher education and proprietary schools serving as eligible lenders under FISL—in addition to the difference in default experience.

Although there are under 100 proprietary institutions serving as eligible lenders, they include the largest FISL lenders and at various times proprietary schools have accounted for almost half of all FISL loan volume and almost one-quarter of total GSLP volume. The approximately 200 institutions of higher education serving as lenders have accounted for relatively little volume, about 1.4 percent of all loans made under the GSLP through fiscal 1973.

But there are some other important differences. Proprietary institutions typically have used the FISL program, not as part of a total program of financial aid, but as a means of financing almost full tuition for almost all of their students with insurance provided by the Federal Government.

Even though proprietary schools are often corporations operating in several States, they typically serve from each of their locations, not national student bodies, but local commuting students, students who by reason of residence would have access to a single State or nonprofit program except for the fact that many States refuse to insure loans to proprietary and/or home study students.

Most colleges and universities serving as lenders, on the other hand, enroll national student bodies, and in many cases sizable numbers of graduate students, many of whom now rely on loans because of the reduction in Federal fellowships since the mid-1960's. Even if a single state agency were willing to insure loans made to all of the students of such institutions, in state and out of state, it is rare that financial institutions feel an obligation to lend to students who are not residents of the state.

At colleges and universities loans are not a financing mechanism, but are combined with grants and jobs as part of a financial aid system. Because of sizable self-help requirements and a concern for the student borrower, many universities serving as eligible lenders, including Harvard and Northwestern, have been willing to backstop FISL loans with their own funds for students who need forbearance.

We cite these differences because we think they are important. The new GSLP regulations have been transmitted to Congress and are scheduled to become effective early in April. They address many of the problems of the GSLP. They regulate disbursement and collection procedures, refund policies, and recordkeeping. They require much more consumer information for the student. And, most importantly, they establish standards to evaluate whether institutions should continue to participate in the program. If legislation excluding certain groups of lenders is required as well, I would hope that this subcommittee and the Congress as a whole would keep firmly in mind these significant differences between institutions of higher education and proprietary schools as lenders.

One of the anomalies of the bill is that although educational institutions would be eliminated as lenders under the GSLP, they would continue to serve in that capacity under NDSL, without any suggestion that they meet rigorous and high-level standards. In fact, it is proposed, if I understand the bill correctly, that $2.5 billion of Federal assets, the NDSL receivables outstanding, be turned over to educational institutions to lend through their own programs as they see fit.

We do not think this is the answer. In fact, in a period of scarce student assistance resources we would argue that as part of any restructuring of Federal loan programs, more productive use of the $2.5 billion in NDSL loan receivables, a significant but under-utilized student assistance asset, is imperative.

We would also argue that if rigorous lending standards are appropriate for the GSLP, they are equally appropriate for NDSL.

If we have suggested what we would not do, what is it we do recommend? For some time postsecondary education has had not one, but two general purpose loan programs. We believe the solution to many of the problems of Federal loan programs lies not in a narrow, programmatic approach to NDSL and GSLP, but in the creation of an integrated structure out of what have been separate and largely unrelated programs. For reasons of cost, simplicity, and equity, we would recommend that the two programs be brought into much closer alignment: By increasing the NDSL interest rate from 3 percent to 7 percent; by eliminating all NDSL cancellation provisions except for death and disability; by conforming the repayment, grace, deferment, and forbearance procedures of the two programs; by establishing combined borrowing limits under the two programs, limits which are realistic but moderate, and which make an important distinction between first-year undergraduates, returning undergraduates, and graduate and professional students; and by requiring origination and collection standards of NDSL lenders comparable to those required of GSLP lenders.

Our goal is to conform the terms of the two programs to the point that there is no observable difference in the two programs to the student borrower. The only difference is in the mechanism by which the Federal Government encourages the investment of capital in student loans. We recommend that the dual system of guarantee programs and direct capital appropriations to educational institutions be maintained, although as will be explained, with some important modifications.

Regardless of the level of inducements to commercial lenders, access to loans under the GSLP will rightly vary based on credit conditions, lender practices, and the circumstances of the borrower. As is presently the case, we believe NDSL capital funds will be needed to both compensate for fluctuations in private capital devoted to the GSLP and to provide some assurance of credit to those least able to obtain it on their own.

To make more productive use of the NDSL asset and to encourage prepayment of NDSL receivables, we would authorize NDSL lenders to discount outstanding 3-percent loans based on a 7 percent interest rate and the remaining years to maturity. This would simply recognize the inherent discount in outstanding 3 percent loans at 7-percent interest rates. Potentially it could increase available loan funds, decrease default exposure, save collection costs, and possibly revive presently delinquent accounts.

To resolve the role of educational institutions as lenders, we recommend that the subcommittee affirm its support for individual institutions serving either as lenders under the GSLP, but not as lenders under both programs simultaneously. The conditions which we believe should apply for an educational institution to serve as an eligible lender under the GSLP are: That the institution meet the requirements of section 423, part B of title IV, as is presently the case; that the institution have at least 1,000 students; that it have at least one full-time financial aid officer; and that in the judgment of the Commissioner the institution be able to satisfactorily meet the specific collection and servicing standards set forth in the GSLP regulations, or alternatively, that the institution have contracted for equivalent services with an outside organization.

We would further recommend that those educational institutions serving as lenders under FISL be assured access to student loan capital by having full use of the services of Sallie Mae, including the right to sell student loans to Sallie Mae at a discount. Sallie Mae, as a condition of purchase, insists upon assuming responsibility for servicing the loans purchased and, therefore, must purchase loans at a discount to cover servicing costs.

At present, USOE regulations are causing educational institutions to borrow short from Sallie Mae to lend long to students and precluding educational institutions from transferring, as an adjunct to sale, the servicing responsibilities to Sallie Mae, an organization generally acknowledged to have developed the highest collection standards in the student loan field.

Finally, and most importantly, we would recommend that educational institutions which do meet FISL eligible lender requirements, and which are given access to capital markets through Sallie Mae, be precluded from receiving further capital appropriations under the NDSL program, but that they be allowed to use their existing NDSL capital pools as working capital for FISL loans.

The effect of these recommendations would be that educational institutions making either NDSL or FISL loans to students would meet comparable and rigorous lending standards. All institutions, as is the case at present, would be limited by the Commissioner in the amount of annual loan commitments they can make. The recommendations would recognize, however, the legitimate need of a relatively limited number of educational institutions, often with national student bodies and in many cases major emphasis upon graduate education, for greater access to loan capital than can be provided under NDSL. If this distinction is recognized and made, such institutions need not place further demands upon limited NDSL capital appropriations with the potential for significant savings to the Federal Government.

In the report that will be submitted to you in April there are a number of recommendations designed to encourage continued participation of financial institutions in the GSLP, to facilitate loan consolidation, and to enhance the willingness and ability of borrowers to repay.

We would like to mention one recommendation in particular. To date, both the GSLP and NDSL programs have used a level payment note with a 10-year maturity regardless of the amount of debt or the prospective career of the borrower. In the first several years of the GSLP, adherence to such a repayment structure has probably presented problems to few borrowers, since through 1973, 60 percent of student borrowers under FISL incurred only one loan and approximately 81 percent a maximum of two.

Only 5 percent of borrowers found it necessary to incur four loans. However, loan amounts have been growing rapidly, especially for students at higher priced institutions where undergraduate debts of $4,000 or more are increasingly common, and where a high percentage of each class pursues graduate education.

Since Congress, by the 1972 Education Amendments, set an overall limit of $10,000 in the case of graduate and professional students, it is assumed that it was the intention that students participate in the program, if necessary, throughout several years of training. What is not clear is whether Congress intended that students with many thousands of dollars of debt, should adhere to a repayment schedule more appropriate for the great majority of students who incur only one or two loans and modest total debt.

Recognizing this problem, we would make a modest proposal—that where debt levels under either program or both programs combined are high, which we define as $4,000 and above, lenders be given the option of issuing a 10-year graduated or 15-year level repayment note with specific repayment schedules approved by USOE, and which are also acceptable to Sallie Mae.

We would like to mention one further recommendation. If it is public policy to encourage State guarantee programs, in fact, as well as by statute, we would remove certain of the differences between the state agency programs and FISL. In particular, we would recommend that defaults be reimbursed by the Federal Government at a 100-percent rate, as is true under FISL. However, to maintain the present incentive for states to minimize defaults, we would suggest that in any fiscal year in which reinsurance payments to a state for death, disability, and default exceed 5 percent of the average principal amount of loans insured by the state which are in repayment status during such year, the payments in excess of the 5-percent rate be shared equally by the state agency and USOE. This would not only be fair to the states, and still provide them with operational incentives, but would also as a byproduct generate some reliable default information on state programs, information which is largely unavailable.

In conclusion then, these are some of the steps we would take. Certain of them, such as changing the NDSL rate from 3 percent to 7 percent, ending the cancellation provisions, turning over NDSL receivables at a greater rate, and, most importantly, precluding educational lenders, which have access to capital through Sallie Mae, from receiving NDSL appropriations as well, would produce substantial savings, immediately and over time.

In closing, we very much appreciate this opportunity to present our views to the subcommittee. My colleagues and I would be pleased to answer questions about this testimony, or the grant and work-study portions of the bill.

Thank you.

Mr. BLOUIN. Thank you, Mr. Ramsden. Mr. Gibson, I understand has a statement to file, which will appear below.

[The statement follows.]

PREPARED STATEMENT OF R. JERROLD GIBSON, DIRECTOR, FISCAL SERVICES, HARVARD UNIVERSITY

Mr. Chairman and Members of the Subcommittee: We are grateful for the opportunity to offer some remarks for the consideration of the Committee. Our concerns cover the range of student assistance programs, but for a few moments I would like to focus on one area of discussion.

HR 3471 addresses the problem of student debt and lending institutions. We are agreed that we want to control debt as best we can, and that student debt above $2–3 thousand dollars is really a resource of very last resort.

At the present time, as you know, many students depend substantially on student loans to enable them to continue in school, and we must be very careful not to curtail this resource until we have something dependable to offer in its place.

Availability of loan funds depends partly on the structure of the loan program and its permissible debt, and partly on the availability of funds themselves. Since HR 3471 does speak to the question of eligible lenders, I would like to be as specific as I can from the perspective of an educational lender.

The first thing to be said—and here I'm sure I speak for most educational lenders—is that we became an eligible lender only with great reluctance. In private institutions especially, we are quite concerned about the effect of the lender-borrower relationship on alumni giving. It is awkward for us to have to remind alumni about repayments, and at times even to insist that they pay. Surely most colleges would avoid that complicated relationship if they could.

The reason we are in student loans is because others have not appeared to meet the need. We have watched increased college costs, financial aid resources stretched hither and yon, families agonizing over debt payments because interest rates were high or repayment terms stringent. We have moved into this problem area because we felt that financial and administrative resources had to be used to keep admissions opportunities open and financial burdens manageable.

Perhaps a few examples will illustrate. Harvard did not become an eligible lender until 1972. For almost seven years we encouraged students to borrow from home or local banks. Some states had functioning programs; some didn't; funds were available in some areas and not in others; terms were favorable for some students, less so for others. Students who borrow under the state program in Mass. have a maximum repayment term of 7 years, whatever the total debt. Where some students were expected to pay an insuranec fee of ¼ of 1%, others were called to pay twice as much. Where some lenders did not require additional insurance payments during deferments, others asked for premiums each year. Some lenders postponed interest payments during defaults, others did not.

There were so many inequities folded into the system that we finally decided to become a lender of last resort. Most schools within the University began by requiring all loan applicants to bring at least two letters of refusal from banks in order to qualify for a Harvard loan. One school still has such a requirement. However, students were increasingly frustrated, not only by the extra search effort but also because a number of banks would not grant loans, yet neither would they commit their refusal to writing.

All the while we were fighting for more realistic repayment schedules. Certain state loan requirements were so stringent that they almost programmed borrowers into default. Students who had to shop among several banks to secure their loans began to come to my office more and more frequently to ask how to deal with multiple lenders, all of whom were insisting on payment. I asked the Office of Education for help, was told that borrowers needed to ask banks for relief. In order to be correct with the information I was providing, I drafted a memo explaining what I understood the situation to be with multiple lenders and sent it to OE for approval. No response.

It is hardly surprising, therefore, in the midst of these inequities and frustrations, that we began to explore possibilities of developing a full student loan program. We also looked for ways to provide a cushion for repayments to be supported by University funds which would lessen the payment burden on borrowers with low income.

About this time last year we were re-evaluating our program, and it happened that a graduate student from the Kennedy School was doing a research project on the Guaranteed Loan Program. As part of her research, she visited all the major and many of the minor banks in the Cambridge–Boston area, and asked about the possibility of a student loan. In only one bank in Boston were they willing to accept her application if she or her family did not have a previous account in the bank. It was during this same year that our University student loan office processed loans for more than $5 million.

You can understand our intense concern about the availability of funds. My difficulty with Congressional action which terminates all educational institutions as lenders must be apparent. We ask that an alternate system for funding student loans be demonstrably in place and functioning before our own capability to provide funds is dismantled. In short, we believe the action proposed in HR 3471 to be at least premature.

In view of our past experience, we are also very apprehensive over the prospect of giving more administrative responsibility to the states unless *their programs* are strictly regulated by federal standards.

Let me just quickly walk the other side of the street. Enough frantic comments have been made about what educational institutions have not and cannot do that a sense of perspective has all but vanished. Of course, default reports on student loans are alarming, and something must be done. However, I cannot take too seriously the conventional wisdom that banks are in the business of lending and colleges are set for the task of education, and each should be confined so that it can do what it does best. This really obscures more than it illumines the issue.

There are good and poor lenders on both sides, good and poor collection practices among banks and among colleges. Two years ago I was reviewing all our operations, and decided to find out how near-by banks were handling student loans. The second one I visited explained that they were still using ledger cards with manual postings for student loans, and this at a time when our own data processing for loans had been operational for several years.

I would even argue that educational institutions can potentially do some things in the *student* loan field even better than banks. For example, we can easily collect in-school interest for loans that do not qualify for subsidy by transferring the charge to term-bills, where students must make the payment. We know precisely when stdents are registered and when they are entering their grace periods or repayments. We can set up exit interview requirements—which we do—which the student must fulfill or he/she will not be permitted to graduate. We can counsel more effectively about a reasonable package of financial aid because we have all the relevant data before us. When it comes to skip-trace work on borrowers who get lost, we have many university records which we can utilize. In fact, I have given work to three different professional skip-trace organizations, and find that in-house we can do a more complete job with better results than any of them can. It's not that we're smarter than banks or collection agencies—we just have more resources for dealing with borrowers who are or have been students.

Naturally all educational lenders are not properly equipped to function as effective lenders to students. Neither are some banks. The point is that we are looking for an effective loan distribution mechanism, and I do not believe it serves a useful purpose to draw a great dividing line between the capabilities and resources of all educational institutions on the one hand and all banks on the other.

What we need is strict regulations to govern *all* lenders. OE has published such regulations for educational lenders. Clearly they have leverage on this group. They do not have comparable leverage on banks and probably cannot require the same standards of performance.

My plea, therefore, is this. Do not now dismiss educational institutions from the category of eligible lenders. Consider the administrative capability of lenders on a performance basis. Help us to keep open all present channels for the distribution of student financial aid even as we work together to develop and improve our overall program for student assistance.

Thank you.

Mr. BLOUIN. Do you happen to know what the average debt of a graduate of a 4-year private institution is today?

Mr. GIBSON. You are talking about undergraduate debt and I can speak in specifics but not generally. A specific school, Harvard—the average debt is now going between $3,000 and $4,000 for an undergraduate.

Mr. BLOUIN. But you have no statistics generally?

Mr. RAMSDEN. That would be a good figure for roughly the 23 schools in the Consortium since they are all high-priced private and all have the same kind of packaging and high self-help requirements.

Mr. BLOUIN. Would it be fair to assume that is about twice what the normal private school debt is?

Mr. GIBSON. I think that is accurate, and it is higher than anyone else's.

Mr. BLOUIN. Mr. Eshleman.

Mr. ESHLEMAN. Mr. Chairman, I want to pursue this debt situation a little further. Your undergraduate average is, you say, $4,000 and a graduate I am told nationwide, and including medical school graduates, debt is something under $10,000 and I don't think we have nailed down a figure, but it is well under $10,000. This is a national average and now go back to your $4,000 for the undergraduate—I want to ask you—well, I want to ask a related question to that.

What is the estimate that the lifetime income of a college graduate exceeds a noncollege graduate? What is that estimate?

Mr. RAMSDEN. You know the answer, $400,000, I believe.

Mr. ESHLEMAN. No, I was going to say, I didn't know it was as high as $400,000. Then I want to ask a Pennsylvania Dutch question, and I am not being facetious. A new tractor costs between $15,000 and $20,000 and a young farmer that purchases a new tractor must pay for it.

Now, here you are talking about someone who is going to earn, on the average, $400,000 more than that farmer. Why can't he pay off his school debt?

Mr. RAMSDEN. We are not questioning that the student should repay his loan. I am not sure I understand the question, sir.

Mr. ESHLEMAN. Well, isn't the default average going up? Isn't that the history, isn't the default average going up?

Mr. Ramsden. I cited figures which were presented before a Senate hearing; the default average is high and it is growing and it is concentrated in proprietary schools and in certain areas; yes.

Mr. Eshleman. Well, my question is, I don't see why it is growing. I don't doubt your figures, but I don't see any logic for that growth. I don't see any logic for it, other than irresponsibility.

Mr. Ramsden. Well, I feel part of it is reflected in how the student perceives he is benefited from his educational experience. I don't think there is any question but that a lot of students were ripped off initially in the beginning phase of this program and there is considerable documented evidence to support that.

At the same time I think students who have benefited from their educational experiences, and I am talking now often in terms of return in the form of earnings, are acting in a responsible manner. I can only cite the experiences, and, actually, I have data from all of the Big Ten institutions, but I had not requested from them to present this information.

But, on Northwestern University alone, which I think is significant, our default rate in terms of the total volume, which we have learned since inception of the NDSL program, is now approximately $12 million and the default rate is less than 1 percent.

The default rate on the amount of repayment is less than 3 percent. I think it is wrong to put all educational institutions in the same bag or in the same category because I think a lot depends upon the benefits received.

If a student matriculates at a given institution or intends to matriculate at a given institution and all of a sudden is harnessed with a loan and finds that he has terminated his experience or his educational experiences 2 weeks thereafter and still has a debt to pay, he defaults on that loan.

That is what has happened in a large number of cases throughout this country. It has primarily been based upon poor monitoring procedures and I think the changes in legislation, which come to grips with that problem.

Mr. Eshleman. In other words, we should spread out the payments; is that it?

Mr. Ramsden. I think a lot depends upon the size of the debt. I think you are programing people into default or delinquency. The debt is high and the repayment period is sharp. As we know, based upon information presented to the various committees, most defaults occur before the first payment or within the first 2 years.

Mr. Eshleman. On page 3 of your statement you state that "Consortium grant assistance outweighs Federal and State grant support" and I assume that means put together. What would that percentage be? What is the percentage of that?

Mr. Ramsden. It would run between four and five times the total dollars we are providing compared to others. The consortium institutions, which would be in the States of New York, Pennsylvania, and Illinois, which have very strong, as you are well aware, State scholarship programs, and the relationship would not be quite as high there. Most of the schools, their own dollars are four or five times the total money received from BEOG's and State scholarships and so on.

Mr. **Eshleman**. Thank you.

Mr. **Ihlanfeldt**. To expand momentarily, Congressman, we estimated there is in excess of 100,000 undergraduate students attending these 23 institutions and that about 40 percent or more are receiving some form of tuition discount from these institutions.

I think Mr. Ramsden just said the average grant is approximately $2,500 in terms of institutional subsidy and that in excess of 10 percent of their student bodies are from minority backgrounds.

Mr. **Eshleman**. Thank you.

Mr. **Blouin**. I don't think we have any further questions and I would like to thank you for being here and we appreciate your interest and your infusion into the record of any other contributions you feel you would like to make. Feel free to send them along.

The subcommittee will reconvene, it is my understanding, in this same room at 9:30 tomorrow. The meeting is adjourned.

[Whereupon, at 12 noon the subcommittee recessed, to reconvene at 9:30 a.m. of the following day, Wednesday, March 26, 1975.]

[Subsequently, the Consortium published its review of Federal Student Assistance, and the following synopsis of the report:]

Consortium on Financing Higher Education,
Hanover, N.H.

A Synopsis of Federal Student Assistance: A Review of Title IV of the Higher Education Act

INTRODUCTION

The 1975 Congressional review of the Higher Education Act provides an opportunity to create a more coherent, cost-effective financial aid structure, and the Consortium on Financing Higher Education has responded with the publication of the report *Federal Student Assistance: A Review of Title IV of the Higher Education Act* (April 1975). The following synopsis reviews the major recommendations of that report.

The report attempts to meet some high goals. Although it is the collaborative effort of the twenty-three member institutions of the Consortium, the report attempts to speak to the needs of all postsecondary education. It proposes a financial aid structure which would provide access and a degree of choice in postsecondary education; yet it is realistic in its demands on public resources. It is a detailed report; yet its overriding concern is the structure and architecture of financial aid. Most significantly, it recommends redirecting benefits under existing law in order that those resources can be devoted to more effective use. Perhaps in this last respect, the report is most unusual.

In this synopsis, the Consortium's proposals regarding the six key Title IV programs (The Basic Educational Opportunity Grant Program; the Supplemental Educational Opportunity Grant Program; the State Student Incentive Grant Program; the College Work-Study Program; the National Direct Student Loan Program; and the Guaranteed Student Loan Program) are covered in sequence. To aid the reader, brief summaries of both the present program and the proposed changes are presented at the head of each section, followed by a brief discussion of the proposals. For a complete understanding of the recommendations, the reader should refer to the full report, copies of which may be obtained from the Consortium at the above address.

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

Present Program—The maximum basic grant is authorized at $1,400, an amount which is not based on any particular rationale. Actual awards are reduced by an expected family contribution based on income and assets. Individual awards may not exceed one half of actual total costs of attendance. Awards are based on appropriations in any given year, with ratable reductions in awards as necessary. At full funding, it is estimated that the program would aid 1.4 million students and cost $1.2 billion. Eligibility includes students from families with incomes up to approximately $11,000–$12,000.

COFHE Proposal—Maximum grant would be related to average noninstructional costs nationally ($2,100) less an average summer earnings expectation of the student ($500). The maximum award in 1975–76 would be approximately $1,600. Actual awards would be reduced by an expected family contribution based on income and assets. The one-half cost of attendance limitation would be eliminated. The program would be funded as a true entitlement. At full funding, it is estimated that the program would aid 1.6 million students and cost $1.6 billion. Eligibility would extend to students from families with incomes up to approximately $14,000.

With a few important but easily accomplished changes, the report recommends that BEOG be transformed into a clearly focused national access program. To accomplish this, it is recommendad that the maximum BEOG grant be related not to total costs of attendance as is presently the case, but to the national average of noninstructional costs (board, room, books, transportation, and personal expenses) less a summer earnings expectation of the student. There are several reasons why enactment of such an approach has great merit.

1. Such an approach would make possible a clearer distinction between the purpose of BEOG and all other federal and state student aid programs. BEOG could be focused particularly on the problem of access to postsecondary education. State scholarship programs, institutional funds, and the college-based federal programs could then be focused more specifically on the problem of choice in American postsecondary education.

2. Such an approach would relate the BEOG entitlement to a national and objective standard in which the Congress can have confidence. Whereas tuition varies all the way from zero at certain public institutions to approximately $4,000 at certain private ones, noninstructional costs are by far the most uniform set of costs in higher education, averaging in 1975–76 very close to $21,100 at all types of institutions.

3. This approach also would simplify the long range problem of relating the BEOG entitlement to hard economic data. Because annual adjustments for inflation are reflected in noninstructional costs, the Federal Government would have a rational and consistent approach to funding, something which is lacking in the present program.

4. Such an approach would recognize that for some time educational institutions have found it necessary to use their financial aid resources to subsidize not only the instructional costs of needy applicants, but also their maintenance costs as well. By awarding BEOGs to eligible students based on noninstructional costs the Federal Government would free up institutional funds for more proper subsidization of educational costs.

5. Finally, tying BEOG to noninstructional costs would simplify the program from the standpoint of both applicants and institutions. Since awards would be based on average noninstructional costs nationally less the expected family contribution, institutions would no longer have to determine "actual costs of attendance" for each student or category of students before making preliminary and final calculations of BEOG entitlements.

The specific award formula recommend by the Consortium has the additional element of a student self-help requirement. Through an average summer earnings contribution, the student, in effect, must assume some of the more discretionary noninstructional costs, such as personal and travel expenses. Such an expectation also means that even the student attending a zero-tuition public institution must assume a significant degree of financial responsibility for his or her education. The effect of the proposal is that the Federal Government would be entering into a partnership with each student. Where family resources for student maintenance are insufficient, the Federal Government through the basic grant program would insure each student a threshold of support which, when combined with the student's own summer earnings, would permit access to zero-tuition public institutions.

The approach recommended is simply a logical measurement device for establishing award levels. It is not a restriction on how BEOG is to be used by an individual student. The award need not be applied just to noninstructional costs; it could be applied against any of a student's costs of attendance.

In the interest of fairness, and also to keep award calculations simple, the report recommends that the present stipulation that a BEOG may not exceed one half the actual cost of attendance at the institution in which the student enrolls be eliminated. This provision limits the size of awards for only one group—the lowest-income students who also happen to attend the lowest tuition public institutions. Retention of the provision not only defeats the purpose of BEOG as an access program, but complicates award calculations unnecessarily.

Finally, the report recommends that BEOG be made a true entitlement. Under the present program, even though there is a tendency to speak of a BEOG "entitlement," there is no such thing when a student's award is partially fnuded. Unlike veterans education benefits under the GI Bill or OASDI education benefits under the Social Security Act, a BEOG recipient has no "entitled" right to a given level of assistance under the Higher Education Act. Only if support under the basic grant program is made stable and predictable, which an entitlement would accomplish, is it possible for BEOG to become the basic program to which all other student aid programs can relate.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

Present Program—Funds are made available to educational institutions to assist students with "exceptional need," which has been defined by USOE as those students whose family contribution does not exceed one-half the cost of attendance. Individual awards may not exceed $1,500 or one-half the sum of the total amount of student financial aid provided to the recipient by the institution. (Included in this latter category are BEOG, NDSL, and Work-Study, as well as State, private and institutional grant resources). In 1975–76, an estimated 350,000 students will receive awards totaling $240 million.

COFHE Proposal—Supplemental grants would be related solely to tuition-related need, not to total costs of attendance. As in the case of BEOG, awards would be made directly to students, rather than funds being allocated to institutions for distribution at the institution's discretion. Awards would equal the lesser of $1,500, or one half of the amount remaining after deducting from instructional costs (tuition and related fees): a) any parental contribution remaining after deducting therefrom an amount equal to the maximum BEOG entitlement ($1,600), and b) $1,000. The proposed program would aid almost 600,000 students at a cost of approximately $280 million.

Whereas the report recommends that BEOG be focused on non-instructional costs, it is recommended that SEOG be focused on instructional costs and the problem of choice, especially at moderate- and higher-priced institutions. In addition, it is argued that SEOG should supplement, rather than replace or come before, state and private scholarship resources and that federal supplemental grant funds should not be applied "back to back" to basic grant funds in meeting student need.

Under the proposed SEOG formula, supplemental grant aid would not be extended until the parental contribution had been completely used and $1,000 of resources other than federal grant funds had first been applied to tuition-related need. Where a student's family contribution equaled $1,600 or less (i.e., it was completely used for noninstructional support) after the first $1,000 of tuition was met by other resources available to the student, the proposed SEOG formula would cover 50 cents of every one dollar of tuition up to a maximum SEOG award of $1,500. Thus, at an institution with tuition of $2,000, the student whose parental contribution was used for noninstructional costs would be eligible for $500 of supplemental grant funds; at an institution with tuition of $3,000, the student would be eligible for $1,000 of SEOG funds. For every dollar by which the family contribution exceeded $1,600, and thus was available to partially meet tuition costs, SEOG eligibility would be reduced by 50 cents. As is presently the case, the maximum award could not exceed $1,500.

The major beneficiaries of the proposed BEOG entitlement, including elimination of the one-half cost of attendance limitation, would be students attending public institutions, who would receive above three quarters of the dollars under the BEOG proposal. Taking this into consideration, the supplemental grant program is aimed at the problems faced by low- and middle-income students who wish to attend moderate- and higher-priced institutions. It is this group of students, whether attending private institutions or out-of-state public institutions, which is particularly in need of tuition-related help, since they are neither subsidized by low tuitions nor aided adequately by state scholarship programs. In the face of public-private tuition differentials approaching $1,700 on average in 1975–76, it is especially this group which needs the SEOG program if a healthy degree of choice in postsecondary education is to be maintained. Recognizing this fact, whereas students attending private institutions receive approximately 45% of the dollars under the present SEOG program, they would receive about three quarters of the dollars under the revised SEOG program.

Under the present program, SEOGs are awarded to students who qualify based on need regardless of whether they have received a basic grant. The Consortium believes this approach should be retained. Most students from middle-income families will be ineligible for BEOG assistance because their parents are able to provide for their noninstructional costs. Yet such students, if they attend moderate- and higher-tuition institutions will have need for tuition-related assistance. Making SEOG eligibility dependent upon receipt of a BEOG would eliminate a sizable portion of middle-income students presently eligible for SEOG at higher-tuition institutions. It also would mean that receipt or nonreceipt of a minimal BEOG award would determine eligibility for as much as $1,500 of supplemental grant help. Since it is recommended that the two programs should focus separately on the problems of access and choice, eligibility for one should not be dependent upon participation in the other.

STATE STUDENT INCENTIVE GRANT PROGRAM

Present Program—Provides grants not to exceed $1,500 to eligible students with "substantial financial need" by matching on a 50–50 basis new grant dollars expended by the States over a base year. Funds are allocated to the States that apply and are eligible based on the number of students in attendance at instituitions of higher education in such States. An estimated 76,000 students received Federal SSIG funds totaling $19 million in 1974–75.

COFHE Proposal—The program would remain a 50–50 matching grant program, but the proposal would require that SSIG grants be related solely to tuition-related need (since BEOG would be related to noninstructional costs). The proposal would modify the existing allocation formula to include only those students who are eligible to receive support under a State's grant program. Funding would be increased gradually on a basis that can be matched by the States. Also, several steps are recommended to encourage and, over time, gradually require portability of State grant funds.

In the area of developing new grant programs, the SSIG has been a distinct success. It is estimated that in the 1974–75 academic year, 36 States and certain of the territories will expend $457 million on grant programs. Nevertheless, State efforts vary widely and three States account for over half of the total State scholarship effort.

Because of its matching provisions, there are those who would dramatically expand SSIG from the appropriations level of $20 million for 1974–75. However, a large increase in SSIG funding raises some important questions. How would a major tuition-related SSIG effort relate to the college work-study and Federal loan programs? Should a self-help expectation be required of students before they become eligible for tuition-related grants? What is an appropriate State allotment formula? The Consortium believes such questions need to be answered satisfactorily before there is a major expansion in the program, since the answers affect the disposition of SSIG funds, the funding of work-study and loan programs, and indirectly, the pricing policies of state institutions.

Because of the considerable educational diversity within the 50 States, and the numerous questions this raises for Federal policy, the Consortium recommends a gradual and careful approach to the expansion of SSIG. With many State programs in their infancy, and not yet operational, the report questions whether massive increases in funding, new allocation formulas, and greater State license in the use of SSIG funds are desirable. In the longer term, it is recognized that a major Federal/State tuition-related aid program may be the appropriate answer—but only if many difficult questions are answered satisfactorily in the interim.

COLLEGE-WORK STUDY PROGRAM

Present Program—Funds are allocated to states based on a complex allotment formula dating from 1964 when CW–S was part of the Economic Opportunity Act. The States in turn distribute the funds to educational institutions within the State based on USOE panel-approved requests. The funds are used to pay for up to 80% of the compensation of students employed in the work-study program, who must be those students with the "greatest financial need."

COHFE Proposal.—Would retain CW–S as a need-based program, but would update the state allocation formula to bring it into line with the purpose of the program as part of the Higher Education Act. In addition, several steps are recommended to maximize the role of work-study in student aid and to increase the number of students assisted without substantially increasing the funding requirements of the program.

It is recommended that work opportunities be expanded and made as widely available to students as possible. Although the Consortium would retain CW–S as a need-based program, it is recommended that disincentives discouraging CW–S students (and all students receiving Federal assistance) from earning additional non-CW–S earnings be removed. In addition, it is recommended that steps be taken to maximize the role of work study in student aid by:

possible modification of the 80–20 cost-sharing arrangement;

prohibition of subminimal wages;

allowing greater flexibility to institutions in committing funds between fiscal years;

increasing institutional flexibility in transferring funds among SEOG, NDSL, and CW–S; and

funding the program more nearly in line with panel-approved requests nationally.

Since the CW–S program has long since been part of the financial aid structure of higher education and its purpose has been broadened to include middle-income families, the report recommends changing the formula by which funds are allocated to the States, which is the same as in 1964 when CW–S was part of the Economic Opportunity Act. The report also recommends that the CW–S State allotment formula be revised so that each participating institution receives the same percentage of panel-approved funding as every other, based on the ratio of Federal appropriations to panel-approved requests nationally.

LOAN PROGRAMS

Present Programs—The United States Office of Education has two general purpose loan programs for postsecondary education. Under the National Direct Student Loan program, capital is provided by the federal government directly to institutions under a 90–10 matching arrangement to lend to students with "special financial need." Under the Guaranteed Student Loan program, loans are made by financial and, to a limited degree, educational institutions with the loans guaranteed by the federal government or state agencies. The terms of NDSL loans generally are more liberal than GSLP loans. The total cost of the two programs in interest subsidies, insurance payments, and capital appropriations is approximately $900 million in fiscal 1975.

COHFE Proposal—To create a more unified and cost effective Federal loan structure, it is recommended that the terms of the two programs to the borrower be conformed and that much higher and uniform loan origination and collection standards be required of lenders and repayment standards of borrowers under both programs. In addition, there should be less reliance on student credit generally, and this can best be accomplished by greater funding of grant and work-study assistance. The combination of a simplified and less wasteful student loan structure, and less reliance on student credit generally, should produce significant savings over time.

With the Guaranteed Student Loan and National Direct Student Loan programs, for some time postsecondary education has had not one, but two general purpose loan programs. The Consortium believes the solution to many of the problems of student credit lies not in a narrow, programmatic approach to NDSL and GSLP, but in the creation of an integrated structure out of what have been separate and largely unrelated programs. For reasons of cost, simplicity and equity, it is recommended that the two programs be brought into much closer alinement:

by increasing the NDSL interest rate from 3% to 7%;

by eliminating all NDSL cancellation provisions except for death and disability;

by conforming the repayment, grace, deferment and forebearance procedures of the two programs;

by establishing combined borrowing limits under the two programs, limits which are realistic but moderate, and which make an important distinction between first-year undergraduates, returning undergraduates, and graduate and professional students; and

by requiring origination and collection standards of NDSL lenders comparable to those now required of GSLP lenders.

The purpose of the recommendations is to conform the terms of the two programs to the point that there is no observable difference in the two programs to the student borrower. The only difference would be in the mechanism by which the federal government encourages the investment of capital in student loans. It is recommended that the dual system of guarantee programs and direct capital appropriations to educational institutions be maintained, although with some important modifications. As is presently the case, NDSL capital funds held by institutions will be needed to both compensate for fluctuations in private capital devoted to the GSLP and to provide some assurance of credit to those least able to obtain it on their own.

To resolve the role of educational institutions as lenders, the report recommends that the Congress affirm its support for individual institutions serving either as lenders under NDSL, *or assuming that specific and rigorous conditions are met* (which are outlined in the full report) as lenders under the GSLP, but not as lenders under both programs simultaneously. This could reduce substantially the demand for NDSL capital appropriations, but only if institutions serving as lenders under FISL are assured access to student loan capital by having full use of the services of the Student Loan Marketing Association (Sallie Mae), a federally sponsored private corporation which provides a secondary market for guaranteed student loans.

Finally, the report recommends that educational institutions which do meet FISL eligible lender requirements, and which are given access to capital markets through Sallie Mae, be precluded from receiving further capital appropriations under the NDSL program, but that they be allowed to use their existing NDSL capital pools as working capital for FISL loans.

The effect of the recommendations would be that educational institutions making either NDSL or FISL loans to students would meet comparable and rigorous origination and collection standards. All institutions, as is the case at present, would be limited by the Commissioner of Education in the amount of annual loan commitments they can make. The recommendations recognize, however, the legitimate need of a relatively limited number of educational institutions, often with national student bodies and in many cases major emphasis upon graduate education, for greater access to loan capital than can be provided under NDSL or will be made available by local banking institutions under the GSLP. If this distinction is recognized, such institutions need not place further demands upon limited NDSL capital appropriations with the potential for significant savings to the Federal Government.

Certain of the recommendations, such as changing the NDSL interest rate from 3% to 7%, ending the cancellation provisions, turning over NDSL receivables at a greater rate (outlined in the full report), and precluding educational lenders that have access to capital through Sallie Mae from receiving NDSL appropriations as well—would produce substantial savings, immediately and over time. The effect of the proposals (and numerous others outlined in the full report) would be to create a unified and more cost effective general purpose loan program for postsecondary education. The proposed structure is one which, in all likelihood, would also permit the ultimate inclusion of the Health Professions Student Loan program (HPSL), which perhaps further significant savings in Federal appropriations for loan capital. It also raises the possibility that those institutions presently serving as lenders under three programs—FISL, NDSL and HPSL, in the future might only have to administer one.

A DISCUSSION OF COSTS

The full report outlines in considerable detail the cost of the proposals based on various participation rates and other variables, and the reader interested in such detail should refer to the full report. However, presented in the table below is a summary of the estimated cost of Title IV programs based on the present law and based on the recommendations proposed herein. The fiscal year used in the comparison is that beginning October 1, 1976, on the assumption that if a new Title IV were enacted during calendar 1975, that the first fiscal year it would affect from an appropriations standpoint would be the new federal fiscal year 10/1/76 to 9/30/77. The participation rate used in the comparison for both BEOG and SEOG is 70 percent, which compares to a BEOG participation rate of 51 percent during the 1973–74 and 1974–75 academic years.

COST COMPARISON—TITLE IV PROGRAMS

[In millions]

Program	Fiscal year 1977 (Oct. 1, 1976–Sept. 30, 1977)	
	Present law	As proposed
BEOG [1]	$1,181	$1,630
SEOG [1]	[2] 900	280
CW-S		360
NDSL		200
SSIG [3]	70	70
Total	[4] $2,151	$2,540
Difference		389

[1] Assumes 70 percent participation rate and grants to 4 classes of students.

[2] In fiscal 1975, appropriations under the SEOG, CW-S, and NDSL programs are $861,000,000 (excluding an antirecession emergency employment add-on to CW-S of $120,000,000). The $900,000,000 figure is a conservative estimate of the cost of the 3 programs in fiscal year 1977 assuming no change in the present law.

[3] In both cases, assumes a gradual increase in SSIG funding.

[4] This total differs from fiscal 1975 appropriations for the same 5 programs ($1,541,000,000) primarily because the fiscal 1975 BEOG appropriation of $660,000,000 is designed to provide grants to only three undergraduate classes, after ratable reductions in awards.

The overall increase of $389 million is accounted for by increased funding of BEOG. The $200 million estimate for NDSL represents a $121 million reduction from the FY 1975 NDSL appropriation of $321 million and is based on the assumption that educational institutions which fulfill the FISL lender requirements will be given access to loan capital through Sallie Mae, in lieu of NDSL appropriations.

The proposals regarding loan programs are designed, however, to produce savings over and above those shown. Based on the present NDSL lending level of almost $500 million annually, from both repayments and new appropriations, the proposed interest rate change from 3 percent to 7 percent could produce interest savings approaching $100 million annually by the early 1980s, savings which should significantly reduce the need for new capital. Elimination of NDSL cancellation provisions also would produce substantial savings, but again over time.

The greatest potential savings from the proposals arise for other reasons. The table does not reflect outlays for the GSLP, which are estimated at approximately $580 million in fiscal 1975, about two thirds of which are for interest payments and one third for insurance payments. The Consortium firmly believes that higher performance requirements of lenders and borrowers, as outlined in the full report, as well as recent more rigorous federal regulations, can have a significant impact upon defaults and delinquency under both the GSLP and NDSL programs.

Of equal importance, greater funding of grant and work-study assistance should reduce the reliance on student credit, and borrowing should be less than otherwise would be the case. The savings in interest and default payments by greater emphasis upon grants and work-study could be substantial, and over time could largely offset the increased appropriations required to fund the BEOG program.

These savings obviously relate to the Title IV programs themselves. However, it may also be helpful to place the funding of these proposals in a larger perspective. The largest student aid program, in terms of funding, is not part of Title IV, but is the program of educational benefits for veterans known as the

GI Bill. Benefit outlays for veterans in postsecondary education are peaking during the 1975–76 period at approximately $3.8 billion annually, and under the most conservative of assumptions by the 1977 fiscal year will be approximately $700 million below the peak level. Benefit obligations will continue to decrease through the remainder of the decade and beyond. Given this trend in GI Bill outlays, even with the enactment of the Title IV recommendations of the report, the overall pattern of federal student assistance outlays would be marked by relative stability through the remainder of this decade.

Beyond 1980 the number of Americans age 18 to 21, the traditional college-going age group, begins a long and substantial decline continuing until at least 1993. Although matriculation patterns are based on more than demographics, and although the need for federal student assistance is a function of numerous variables, nevertheless, it is possible that, in constant dollars, overall requirements for federal student assistance will be less demanding in the future than they are at present or have been in the recent past.

In the past, the cost of a rational student assistance structure has always seemed beyond reach, and it has seemed necessary to settle for a patchwork of partially funded programs. In view of the trends outlined above, the Consortium believes a rational structure is within reach if the perception exists to grasp it. The occasion of the 1975 amendments to the Higher Education Act provides that opportunity, and the Consortium hopes the report, ***Federal Student Assistance: A Review of Title IV of the Higher Education Act***, provides the means to seize it.

The various proposals in the report are fundamentally conservative. They build on existing structures; they attempt to conserve resources wherever possible. They also are rooted in the firm belief that unlike most transfer payments within the society, public expenditures for well-designed financial aid programs are not simply a form of publicly sponsored current consumption, but one of the most necessary and productive long-term investments a society can make.

THE STUDENT FINANCIAL AID ACT OF 1975

WEDNESDAY, MARCH 26, 1975

House of Representatives,
Subcommittee on Postsecondary Education
of the Education and Labor Committee,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:30 a.m., in room 2261, Rayburn House Office Building, Hon. James G. O'Hara [chairman of the subcommittee] presiding.

Members present: Representatives O'Hara, Blouin, Simon, Mottl, Quie, and Eshleman.

Also present: Jim Harrison, staff director; Elnora Teets clerk; Christopher Cross, minority legislative assistant; Dr. Robert Andringa, minority staff director; and Mr. Diefenderfer, minority research associate.

Mr. O'Hara. The subcommittee will come to order.

The purpose of our meeting today is to continue the discussion of the proposed H.R. 3471 and other proposals dealing with an extension of the student assistance programs.

The committee, after having scheduled this hearing today and having brought in important witnesses from all over the country, finds itself in a somewhat difficult position, because the House is scheduled to begin its sitting at 10 instead of at the usual 12.

Arrangement were made last night in the House to go into session at 10 and it will cause some problems. In addition, the Budget Committee, of which I am a member, is going into session at 10 o'clock and at that time all of the decisions that have been made by the Budget Committee heretofore are reopened for consideration, including the decision made on my motion yesterday to increase the education item in the budget by at least the amount of the Consumer Price Index.

So that I have to get over to the Budget Committee to make sure it does not get taken back out in my absence.

So we are going to begin, but I don't know how far we are going to get. I am going to have to leave to get to the Budget Committee meeting. If we have members available to continue at that time, fine, but all of a sudden if things happen on the floor of the House, I don't know what will be the outcome.

With that introduction we will start and get as far as we can.

Our first witness is representing the American Bankers Association, Harry J. Drolet, senior vice president of the Connecticut Bank & Trust Co. of Hartford, who has appeared before this committee previously, and Mr. Phillip Battershall, vice president of the Old Kent Bank & Trust Co. of Grand Rapids, Mich. Grand Rapids is a fine old town that enjoys excellent representation in the U.S. Congress, especially in the last year or so.

STATEMENT OF HARRY J. DROLET, SENIOR VICE PRESIDENT, THE CONNECTICUT BANK AND TRUST CO., ON BEHALF OF THE AMERICAN BANKERS ASSOCIATION, ACCOMPANIED BY P. H. BATTERSHALL, VICE PRESIDENT, OLD KENT BANK AND TRUST CO., GRAND RAPIDS, MICH.; ALAN R. ETTMAN, DIRECTOR, INSTALLMENT LENDING DIVISION, AND LAWRENCE BANYAS, SR., ECONOMIC ADVISER, A.B.A.

Mr. DROLET. Good morning, Mr. Chairman. It is nice to be back to discuss this bill.

Mr. Chairman and members of the subcommittee, I am Harry J. Drolet, senior vice president of the Connecticut Bank & Trust Co., Hartford, Conn., appearing today on behalf of the American Bankers Association. Accompanying me are Phillip H. Battershall, vice president of the Old Kent Bank & Trust Co., Grand Rapids, Mich.; Alan R. Ettman, director of the installment lending division and Lawrence Banyas, sr. economic advisor of the American Bankers Association.

The guaranteed student loan program has undergone one series of crises after another over the past 5 years. Changes in the law, changes in the regulations, and changing economic conditions have made it very difficult to assess properly the advantages and disadvantages of the entire program.

Shortly after we appeared before this subcommittee in April 1974 the president of the American Bankers Association appointed a special task force to review the student loan program and the role of the lending community. The task force was also asked to make appropriate recommendations in its evaluation of the program.

When we undertook this assignment, we started with the possible assumption that loans were not the best way to finance postsecondary education, and that the task force might in its examination of the program find a more practical way to finance higher education. We considered, as a possible alternative, Federal financing of the full cost of all higher education. Such a cost, however, would be prohibitive, given all of the other necessary or socially desirable demands on current Federal resources. Figures cited by the National Urban Coalition, in 1971, estimated that such a program would cost $35 to $40 billion a year by 1976, and it is likely that that report did not take into consideration the rapid rate of inflation between 1971 and 1975.

After carefully examining the money available for all federally supported programs, we concluded that the guaranteed student loan program should continue to play a vital part in providing many middle-income students with the opportunity to obtain adequate postsecondary education. Given this conclusion, the efforts of the task force were directed toward suggested modifications to improve the program and, if possible, to reduce costs.

I would now like to discuss the major recommendations made by our task force and, with the subcommittee's permission, to have the full report included in the record.

Mr. O'HARA. Without objection it will be included.

Mr. **Drolet.** After discussing our recommendations, I would like to address the loan program provisions of H.R. 3471, introduced by the chairman, and H.R. 4376, introduced by the ranking member, Mr. Eshleman.

A summary of the major recommendations by the task force follows:

The program should provide more options to the borrower to tailor loan repayment terms more closely to the individual's financial situation. Among the recommendations are: (1) elimination of the 5-year minimum repayment period; and (2) adoption of an optional graduated repayment schedule.

To reduce loan defaults substantially, the task force recommends that (1) the lending function be restricted to qualified financial institutions: (2) more stringent requirements for eligibility of schools should be established by the Office of Education; and (3) more timely and effective preclaim assistance should be provided by the Office of Education lenders.

To eliminate many of the redtape/paperwork problems that have hampered the program, the task force makes the following operational recommendations: (1) The Office of Education should expand and encourage the use of the comprehensive insurance certificate; (2) schools should be required to provide lenders with more timely notification of the status of student borrowers; and (3) lenders should be given more latitude in granting forbearance to borrowers who are experiencing repayment difficulties.

In order to compensate lenders more equitably for the cost involved in extending and collecting student loans, the task force recommends that (1) the special allowance should be equal to the effective 3-month Treasury bill rate during the preceding calendar quarters, plus 3 percent of outstanding servicing allowance less the 7 percent basic rate payable by the student; and (2) interest should be paid to lenders on defaulted loans until claims are paid.

Recommendations are also offered to encourage the expansion of State guaranty agencies. The thrust of these recommendations is to provide a more equitable sharing of program costs, such as interest and collection expenses, between the Federal Government and the State agencies.

Recommendations are also made to enhance the attractiveness of the Sallie Mae program as a viable secondary market mechanism.

The task force suggests a reconsideration of the interest subsidy, since the program was never intended to be a grant program. The elimination of the subsidy and its replacement by a proposed interest support plan would remove a major inequity currently existing between subsidized and nonsubsidized students and would inevitably reduce the cost of the program by approximately $250 million per year.

Some Members of Congress have expressed concern about the unavailability of loans for students who do not qualify for the subsidy. The problem arises because lenders have been unwilling to make nonsubsidized loans due to the additional expense of billing individual students and collecting interest payments quarterly during in-school and grace periods.

Even if this operational problem could be overcome, it still does not seem equitable for some students to pay more interest than others simply because of an arbitrary level of family income. The student's ability to repay the debt is, after all, determined by his and not his parent's income.

Congressional concern also extends to the rapidly increasing cost of the interest subsidy. The expense, coupled with the growing incidence of loan defaults, has led to a feeling by many Members of the Congress that total program costs have gotten out of hand.

Elimination of the subsidy would meet a substantial part of the cost problem, and at the same time it would remove the needs test as an unintended screening device for loan entitlement.

The task force has developed a tentative proposal that would provide for interest payments by the Office of Education during the in-school and grace periods on behalf of all students obtaining guaranteed student loans. During those periods before the loans are due to be repaid, the Office of Education would advance the 7-percent quarterly interest to the lender on the receipt of one combined bill as is done now on all subsidized loans. However, when the loan enters the payback stage, the lender would reimburse the Office of Education for the interest advanced on behalf of each student and, at the same time, add that amount to the payment note.

The basic rationale for eliminating the subsidy is that after students have received their education, they generally would be earning income on their own. In all cases the debt would be theirs, independent of the family's obligations. The temporary advance of the interest payments by the Office of Education during the in-school and grace periods would probably be welcomed by most students and their families. At the same time a lender would need to submit only one combined bill for all loans prior to payout status. And lenders would also welcome relief from the burden of turning away students who would not qualify for the present subsidy under a needs test.

H.R. 3471, introduced by the chairman, would, in our opinion, make dramatic and constructive changes in the federally insured student loan program. We feel that the changes in the program you have suggested are entirely compatible with the ABA Task Force recommendations.

Section 423 would eventually terminate the direct Federal insurance loan program, but would retain the 80-percent Federal reinsurance feature. The provision would allow those States that presently do not have a State loan insurance program, two regular sessions of their legislature after passage of this bill to establish such a program, if they wish to do so.

Section 428(b) would authorize an administrative allowance of 1.5 percent to be paid to those States that conduct a loan insurance program. The allowance would be based on the total amount of loans insured in each fiscal year.

In connection with the proposal to eliminate direct federally guaranteed loans, the experience of bankers with whom we discussed this matter indicates that the State guaranty agency is a more effective approach to the operation of this program than a centralized Federal bureaucracy. State agencies appear to offer lenders and borrowers more efficient service in such areas as application processing, awareness of student enrollment status, regular mailings to obtain up-to-date information on students' current addresses, timely reminders to students of exist interviews with school counselors, statements to students pointing out the seriousness of the obligation and, finally, preclaim assistance and collection efforts.

In addition, from the information available it would appear that these State agency efforts have resulted in much lower default rates than under the Federal program. The reduced default ratios alone would be sufficient grounds for limiting the loan program to State agencies. A significant reduction of defaults could provide additional funds for other much-needed higher education programs.

While we strongly support this approach, we do have one reservation about terminating the Federal program. Many States confronted with fiscal problems are making concerted efforts to cut back or at least control any additional expenditures at this time. Therefore, so that the initial cost of establishing a loan program will not be too great a disincentive to State governments, we urge that the the Congress provide an appropriate amount of seed money as an incentive for these new State agencies. This would help to insure that students from all States will have access to the program.

Section 425 would reduce the amount a student could borrow—$1,000 in the freshman year and $1,500 in the subsequent years, limited to a total of $5,000. We can understand the Chairman's effort to reduce the dependency on heavy borrowing by students.

Our task force, like Members of Congress, the student borrowers and the Administration, recognizes the fact that the present program constitutes a financial burden on both the Federal Government and the student. None of us wishes to see students mortgaging their futures with topheavy indebtedness.

It is our hope that the Congress and the Administration will fund, as fully as practical, those educational assistance programs that are currently on the books. Greater reliance on programs such as basic opportunity grants and the college work study program would go a long way toward reducing student dependence on the loan program.

Thus we can all applaud the effort by the Chairman to reduce student indebtedness, an effort that would reduce the present dependence on loans and encourage the use of federally funded grants and/or aid programs to assist students in completing their postsecondary education. However, we are concerned that reducing the total amount that a student can borrow without full funding of all other programs, in effect, will prove a hindrance to a student seeking a postsecondary education.

We do not question the objective of this effort to prevent saddling a student with a large debt, but we wonder whether such a reduction might be self-defeating at this time. With the present levels of college costs and as long as other Federal and State programs are not fully implemented, we would respectfully suggest that the existing figures of $2,000 and $7,500 remain in the law.

Section 428A(B)(1) and (2) would provide for a special allowance that is closely in accord with the recommendations made by our task force. Under the recommendations the special allowance would be equal to 3 percent plus the average effective interest earned on 3-month Treasury bills in the preceding quarter less the 7-percent basic rate.

Section 434(a) defines an eligible lender as a financial or credit institution, including an insurance or a pension fund approved by the Commissioner. We fully concur with this recommendation and endorse the statement you made on this subject when the bill was introduced. Once again, if currently available figures are accurate, the default rate is higher where educational institutions—whether they be proprietary schools or colleges and universities—serve as lenders. As we pointed out earlier, any reduction in the default rate should benefit all higher education programs.

Finally, we endorse the provisions of section 496. We suggest that if a student has been the recipient of a guaranteed loan and the school refunds any unearned tuition or fees, the proceeds of this refund be applied to the principal balance of the loan, thus reducing the student's and the Government's obligations.

We will now turn to H.A. 4376, introduced by Mr. Eshleman.

Section 2 would eliminate the defense of infancy with respect to nonpayment of federally insured student loans. If this defense is being used to avoid payment of these obligations, then we would be in favor of such an amendment.

Section 3 would allow the student to waive the minimum 5-year repayment by requesting permission to repay over a shorter period of time. This provision is supported in the task force report. It would provide those borrowers, who have the capacity to repay larger monthly amounts, the option to do so.

Section 4 provides that in the case of a husband and wife, both of whom have student loans outstanding, the combined minimum annual payment of those loans would be the same as for a single person: $360 rather than $720. This would be of assistance to some students; therefore, we support the provision.

Section 5 provides for multiple disbursements in an effort to reduce any potential early default. The lender in this case would be entitled to receive interest payments on the entire amount of the loan.

This could be a most effective method of reducing the government's growing obligation on defaulted loans. However, we would like to reserve judgment until we know if this will impose any unforeseen burdens on either the educational institutions or the student borrowers.

Section 6 would require educational institutions to provide the latest known address and enrollment status to State agencies and lenders. This concurs with the report of our task force.

Section 7 provides that a student who defaults on a guaranteed student loan be ineligible—except under extenuating circumstances as determined by the Commission of Education—to receive either a basic grant or another guaranteed student loan, unless it is substantially repaid or satisfactory arrangement for repayment are made. We support this provision, as it relates to the guaranteed student loan.

Section 8 provides that proprietary institutions shall not be eligible lenders. We support this provision, but we feel that it does not go far enough. As we stated in our earlier testimony, we do not feel that any educational institutions should be eligible lenders under this program.

Section 9 provides for an amendment to the Bankruptcy Act to provide that educational debts would be exempt from discharge in bankruptcy during the in-school period and the first 5 years of repayment. Our task force discussed the subject at considerable length, but we reached no firm conclusion. However, this association, in its recent appearance before the Senate Subcommittee on Improvements in the Judicial Machinery of the Senate Judiciary Committee, rejected this approach. With the subcommittee's permission, I would like to include in the record that portion of that testimony relating to "Exemptions to Discharge."

We would like to add our support to a recommendation made by the National Student Lobby, particularly that provision referring to deferral of student loan repayments due to hardship:

> It appears fairly obvious that the rising rate of defaults in guaranteed student loans is a product of our generally sagging economy. Perhaps it will be necessary and even economically productive for graduates who can demonstrate financial hardship to be granted a temporary deferral until such times as these persons can secure employment and ease their hardships. In the interim, the Federal Government would continue to pay interest charges on the outstanding loans.

In conclusion, Mr. Chairman, we submit that the majority of the provisions in your bill, as they relate to the guaranteed student loan program, and in Mr. Eshleman's bill, are entirely compatible with the recommendations made by our task force, and we would hope that this subcommittee would take affirmative action.

[Documents follow:]

Exceptions to Discharge

The Commission's Bill makes three major changes of interest to the banking industry (with the Judges' Bill supporting two of those changes) from the existing Section 17 of the Bankruptcy Act. These changes and our reasons for concern are as follows:

(a) The giving of a false financial statement by a consumer may under the Commission's Bill no longer be asserted by a creditor as a ground for excepting the debt from the effect of a discharge. We believe that a consumer should not be entitled to the benefits of a discharge with respect to a debt owed to a creditor that has been willfully deceived by the consumer or that has relied upon a false financial statement prepared by the consumer. This is a logical corollary to removal of the consumer from the reach of Section 4–505 of both bills. We believe that the Judges' Bill is preferable in this regard and note that the question of reliance is specifically covered therein.

(b) Both bills cover the question of "loading up," that is the practice of certain debtors of running up substantial debts in the period immediately prior to the filing of the petition at a time when they were so hopelessly insolvent that it is obvious there was no ability or intent to repay. There has been an attempt made in both bills to meet this problem, by providing that debts incurred within ninety days of filing without intention to repay and in contemplation of the filing can be expected from the discharge. It is our belief that this attempt has been rendered almost completely ineffectual by the requirement of a showing of intent to file bankruptcy proceeding. We would suggest that the wording of this Section be changed to simply cover debts incurred within a reasonable time prior to the time of filing without intention to repay at the time they were incurred. We assume that case law will develop a presumption that one who is grossly insolvent did not intend to repay.

(c) In both bills an attempt is made to except certain types of educational debts from the effect of a discharge. While there is substantial concern with the abnormally high delinquency and loss rate on student loans, it has yet to be demonstrated that the bankruptcy losses are out of the ordinary. While we recognize that the idea of a student receiving a valuable education and then irresponsibily refusing to repay the loans which made this education possible is reprehensible, we are nonetheless opposed to this exception. This Section is contrary to the Bankruptcy Act policy of providing the bankrupt with a fresh start and we suspect that the damage done to the many "poor but honest debtors" will far exceed any possible benefit. We are not persuaded that the "hardship" exception will be that meaningful due to its vagueness. Secondly, this exception, in effect, gives the government agencies (which are the guarantors of many student loans) and educational institutions privileged treatment that is not warranted. If the social utility of what is exchanged for the debt is to be determinative of dischargeability then the question can be raised of whether it is proper to discharge medical bills, food bills, etc. This proposed change simply suggests that if sufficient political pressure can be generated, a special interest group can obtain special treatment under the bankruptcy law. We believe that this Section runs counter to the general policy of limiting exceptions to discharge and grounds for objecting to discharge and should be eliminated.

A Report of the ABA Student Loan Task Force, March 1975

EXECUTIVE SUMMARY

The Student Loan Task Force concludes that the Guaranteed Student Loan Program, with some major modifications, would be the best vehicle to provide loans for postsecondary education.

A summary of the major recommendations proposed by the task force in Chapter IV follows:

The program should provide more options to the borrower to tailor loan repayment terms more closely to the individual's financial situation. Among the recommendations are: (1) elimination of the five-year minimum repayment period; and (2) adoption of an optional graduated repayment schedule.

To reduce loan defaults substantially, the task force recommends that (1) the lending function be restricted to qualified financial institutions; (2) more stringent requirements for eligibility of school should be established by the Office of Education; and (3) more timely and effective pre-claim assistance should be provided by the Office of Education with more cooperation from lenders.

To eliminate many of the red-tape/paperwork problems that have hampered the program, the task force makes the following operational recommendations: (1) The Office of Education should expand and encourage the use of the Comprehensive Insurance Certificate; (2) Schools should be required to provide lenders with more timely notification of the status of student borrowers; and (3) lenders should be given more latitude in granting forbearance to borrowers who are experiencing repayment difficulties.

In order to compensate lenders more equitably for the cost involved in extending and collecting student loans, the task force recommends that (1) the special allowance be tied to the three-month Treasury bill rate, plus a 3 percent of outstandings servicing allowance with no ceiling, or the 7 percent payable by the student, whichever is higher; and (2) interest should be paid to lenders on defaulted loans until claims are paid.

Recommendations are also offered to encourage the expansion of state guaranty agencies. The thrust of these recommendations is to provide a more equitable sharing of program costs, such as interest and collection expenses, between the federal government and the state agencies.

Recommendations are also made to enhance the attractiveness of the Sallie Mae program as a viable secondary market mechanism.

The task force suggests a reconsideration of the interest subsidy, since the program was never intended to be a grant program. The elimination of the subsidy and its replacement by a proposed interest support plan would remove a major inequity currently existing between subsidized and non-subsidized students and would inevitably reduce the cost of the program by approximately $250 million per year.

The first chapter of the report reviews the beginnings and growth of the Guaranteed Student Loan Program, with particular emphasis on the role of commercial banks.

Chapter II appraises the needs for present and future financial aid for postsecondary education. The task force concludes that, despite the levelling off in college enrollments, this need will continue to exist if, as in the past, the cost of education increases faster than the cost of living.

Chapter III relates the historical background of the Guaranteed Student Loan Program and traces the federal legislative program from the 1965 Higher Education Act through the last amendments embodied in P.L. 93–269.

The current status of the program is outlined in Chapter IV. Statistics on loan volume, claims, administrative costs, interest subsidy, and special allowance costs underlie the problems identified in Chapter V.

In Chapter V the problems are discussed from the viewpoint of the major participant groups: the students, lenders, schools, state and private guaranty agencies, and the federal government.

CHAPTER I.—INTRODUCTION

"Now would seem to be the appropriate time for financial aid officers, guaranty agencies, students, and lenders to sit down and work out a program that was acceptable to all parties," said Harry Drolet, Senior Vice President of the Connecticut Bank and Trust Company in his testimony before the House Special Subcommittee on Education in April, 1974.

In response to this attitude prevalent in the banking industry for many months, the ABA formed a special task force on student loans to study the problem and to develop specific recommendations for legislative and regulatory changes in the program. The task force considered the Guarnteed Student Loan Program in its broadest possible context and concluded that the present program, with some major modifications, was the best vehicle to provide financial aid to individuals seeking post-secondary education who are from middle or "modest" income families.

The banking industry's support of the program goes back to the pre-1965 period when the Association played a major role in the passage of the Higher Education Act and took the initiative in encouraging banking industry participation as lenders. In a joint statement to the industry, immediately after President Johnson signed the Act into law, Archie K. Davis, ABA President, and Charles E. Walker, ABA Executive Vice President, emphasized the challenge this program presented to America's bankers:

"We all have a vital stake in the economic growth of our nation. Nothing can enhance that growth better than education. We are sure that you will join with bankers across the country in committing your bank to make these loans. Our goal is 100 percent participation by banks. If we reach this goal, the burden on each bank will be small indeed."

The industry has responded well to this challenge as will be borne out by the statistics in Chapter IV. It has been hampered, however, by the many problems and disincentives that have plagued the program almost since its inception. Insufficient earning rates, administrative red-tape, poor communication between all parties concerned, high rates of default, and frequent legislative and regulatory changes are some of the major problem areas that have emerged during the 10-year existence of the federal program. These will be discussed more specifically in Chapter V. Particularly distressing to the task force is that, because of the complexity and volatility of the program regulations, many of the nation's smaller or community banks have been discouraged from directing more resources to these loans. Size limitations prevent these banks from acquiring the expertise needed to cope with the variety of situations and rule changes that have characterized the program. Many larger banks have established separate departments specifically to process their student lending activity.

Despite these problems the program has had a profound effect on the degree of post-secondary educational achievement in the country. As of June 30, 1974, nearly 7 million loans totalling approximately $7 billion had been extended, enabling milions of young Americans to obtain schooing that they might otherwise have been denied. The task force strongly believes that with the adoption of its recommendations, the objectives of the Higher Education Act of 1965 will be fulfilled to an even greater extent as more funds for post-secondary education will become available. If substantive improvements in the program are not made, we fear that student loan funds supplied by private commercial lenders could be drastically reduced in the coming years.

Before making the specific recommendation in Chapter VI, the task force consulted representatives of most of the major participant groups in the program. These groups included the Office of Education, Student Loan Marketing Association, the National Council of Higher Education Loan Programs, the National Student Lobby, and the Subcommittee on Education of the House Committee on Education and Labor. The views of individuals representing these groups have all been considered in the development of this report.

CHAPTER II.—APPRAISAL OF STUDENT FINANCIAL AID NEEDED FOR POST-SECONDARY EDUCATION

Since the inception of the Guaranteed Student Loan Program (GSLP) in 1965, the cost of higher education in most institutions has risen faster than the cost of living and, indeed, faster than increases in the discretionary income of most families. These circumstances have placed added burdens on the GSLP. More significantly, under the present high-inflation, high-interest rate environment, the need to borrow for post-secondary education is reaching higher up the ladder of family income at the very time when funds for GSLP purposes have become scarce. The extent of changing costs and needs is detailed in the material that follows:

INCREASES IN HIGHER EDUCATION COSTS

Recent Data on College Costs.—According to data supplied by the College Scholarship service (CSS), overall student costs at four-year colleges have risen between 35 and 55 percent from the school year 1970–71 to 1974–75. The end of the range represents the cost increase for resident students at public institutions. At the upper end is the increase for commuter students in private colleges.

The 1974–75 annual dollar costs are about $2,100 and $2,400 for commuter and resident students in public institutions, and about $3,700 and $4,000 for such students in private colleges.

Over the same period cost increases for two-year institutions have shown a considerably greater range. These increases run from 34 percent for commuter students in public colleges to 79 percent for commuter students in private schools. However, the annual dollar costs for the 1974–75 school year in two-year public colleges are reported as roughly $150 to $250 less than in four-year public colleges and about $400 less in two-year vs. four-year private schools. (See Table II–1.)

TABLE II-1.—AVERAGE ANNUAL COLLEGE EXPENSES OF STUDENTS IN PUBLIC AND PRIVATE, 2-YEAR AND 4-YEAR INSTITUTIONS, SCHOOL YEARS 1970-71 TO 1974-75

Year beginning in—	2-Year		4-Year	
	Public	Private	Public	Private
Resident students:[1]				
1970	NA	$2,380	$1,783	$2,974
1971	NA	2,484	1,875	3,171
1972	NA	2,540	1,985	3,280
1973	$2,024	3,194	2,242	3,693
1974	2,153	3,617	2,400	4,039
Commuter students:[1]				
1970	1,430	1,834	1,531	2,382
1971	1,526	1,993	1,659	2,599
1972	1,635	2,090	1,760	2,745
1973	1,665	2,583	1,775	3,162
1974	1,922	3,287	2,085	3,683
Resident students:[2]				
1970-71	NA	4.4	5.2	6.6
1971-72	NA	2.3	5.9	3.4
1972-73	NA	25.7	12.9	12.6
1973-74	6.4	13.2	7.0	9.4
1970-74	NA	52.0	34.6	35.8
Commuter students:[2]				
1970-71	6.7	8.7	8.4	9.1
1970-72	11.1	4.9	6.1	5.6
1972-73	1.8	23.6	0.9	15.2
1973-74	15.4	27.3	17.5	16.5
1970-74	34.4	79.2	36.2	54.6

[1] Dollar costs.

[2] Percentage costs.

Sources: "Financing Postsecondary Education in the United States," the National Commission on the Financing of Postsecondary Education. "Student Expenses at Postsecondary Institutions 1974-75," College Scholarship Service of the College Entrance Examination Board.

Although the increases in tuition costs are substantially higher in private schools than in public colleges, such costs for both types of institutions are, of course, the same for commuter and resident students. Other costs—room and board, books, personal expenses, and transportation—vary widely both in amount and in the rate of yearly increases reported for commuter and resident students.

The percentage increases in post-secondary educational costs set forth in Table II-1 have considerably outpaced the sharp rise in the cost of living. (These comparisons are shown in Table II-2.)

TABLE II-2.—INCREASES IN COLLEGE STUDENT EXPENSES AND THE CONSUMER PRICE INDEX 1970-1974

	College costs								
	2-Year institutions				4-Year institutions				
	Public		Private		Public		Private		
Year beginning in—	Resident	Commuter	Resident	Commuter	Resident	Commuter	Resident	Commuter	Consumer price index 1967=100 (June each year)
Dollar costs:									
1970	NA	$1,430	$2,380	$1,834	$1,783	$1,531	$2,974	$2,382	116.3
1974	$2,153	$1,922	$3,617	$3,287	$2,400	$2,085	$4,039	$3,683	147.1
Percentage increase, 1970-74	NA	34.4	52.0	79.2	34.6	36.2	35.8	54.6	26.5

Sources: College expenses, see table II-1; CPI, Bureau of Labor Statistics.

Longer-Run Perspectives on College Costs.—Since the inception of the Guaranteed Student Loan Program in 1965, information on the earlier years in the past decade has been compiled by the New York Office of CSS and covers average tuition fees, and room and board for resident students in four-year public and private colleges. To these figures must be added personal expenses and transportation costs. For the school year 1964-65, overall costs per student were estimated to be $1,470 at public institutions and $2,427 at private colleges.

Accordingly, over the six years from 1964-65 to 1970-71, total school costs rose at an average annual rate of 3.3 percent for resident students at public colleges and 3.4 percent for those in private schools. It should be noted that these increases were somewhat less than the rise in the cost of living. In contrast, in the four years since the 1970-71 school year, average costs per student have jumped 7.7 percent and 8.0 percent per year respectively, while the increases in living costs were significantly lower. (See Table II-3.)

TABLE II-3.—INCREASES IN ANNUAL EXPENSES OF RESIDENT STUDENTS AT PUBLIC AND PRIVATE 4-YEAR COLLEGES, 1964-65—1974-75

	College costs		
Year beginning in—	Public	Private	Consumer price index, 1967=100 (June each year)
1964	[1] $1,470	[1] $2,427	93.0
1970	[1] $1,783	[1] $2,974	116.3
1974	[1] $2,400	[1] $4,039	147.1
Overall:			
1964-70	[2] 21.3	[2] 22.5	[2] 25.1
1970-74	[2] 34.6	[2] 35.8	[2] 26.5
1964-74	[2] 63.3	[2] 66.4	[2] 58.2
Annual percentage rate (increases):			
1964-70	3.3	3.4	3.8
1970-74	7.7	8.0	6.1
1964-74	5.0	5.2	4.7
1979 projection at rate during—			
1964-74	$3,070	$5,210	185
1970-74	$3,500	$5,900	198

[1] Dollar costs.

[2] Percentage increases.

Sources: See tables 1 and 2.

Future Costs.—If total expenses for students continue to increase at the average rate of the past 10 years, it is projected that in 1979–80 resident students will be paying about $3,070 per year at public colleges and $5,210 at private institutions. However, if the inflation in college costs persists at the rate it has during the last four years, students will be paying nearly $3,500 in public colleges and over $5,900 in private schools five years hence. (See Table II–3.) Since rapid control of inflation does not appear imminent, the latter costs based on the average rate of increase over the past four years may be more realistic.

Non-College Schools.—Information on average costs at non-college schools is extremely meager. About the only information available on student costs in post-secondary non-collegiate schools was compiled through sampling by the National Commission on the Financing of Post-Secondary Education. The data shown in the Commission Report covers tuition only for the one year school, 1971–72. Tuition charges for proprietary schools are by far the most important, as well as the highest. According to the Office of Education data, of the 7,016 non-collegiate schools in 1971, nearly three-quarters, or 5,019 were proprietary schools (See Table II–4.)

TABLE II-4.—AVERAGE STUDENT COSTS AT NONCOLLEGIATE SCHOOLS, 1971-72

Type of school	Number of schools	Tuition	Other expenses[1]	Estimated total cost
Public:				
Trade and Technical	739	$104	$1,280	$1,384
Others	142	133	1,280	1,413
Total	881			
Proprietary:				
Trade and Technical	2,425	1,620	1,280	2,900
Others	2,482	1,017	1,280	2,297
Total	4,907			
Nonprofit:[2]				
Trade and Technical	111	961	1,280	2,241
Others	[3] 1,003	396	(3)	
Total	1,114			
Correspondence	114	416	(4)	

[1] Average of commuter student nontuition costs in 2- and 4-year colleges if students are not working.

[2] Including sectarian schools.

[3] Assuming students in hospital schools (comprising 681 of the total number of nonprofit schools) are likely to be residents.

[4] Assuming most correspondence school students are employed, support expenditures would not be needed.

Source: "Financing Postsecondary Education in the United States," the National Commission on the Financing of Post-secondary Education.

Undoubtedly most vocational or proprietary schools are for nonresidents. However, conversation with the staff of the National Association of Trade and Technical Schools did disclose that a number of vocational schools have a sizable resident student population. Nevertheless, it is fairly safe to assume that a very large percentage of vocational post-secondary students are nonresident. Thus their expenses are likely to be comparable to those of commuter students at public colleges.

Accordingly, it is quite conceivable that vocational student costs will increase at the same rate as public college student costs. In that case, overall outlays by students in proprietary vocational schools by 1974–75 would reach $3,650 per year for trade and technical schools and $2,900 per year for other proprietary schools. Conservatively, costs projected to 1979–80 might rise to $5,800 and $4,600 respectively.

DEMOGRAPHIC CONSIDERATIONS

Post-secondary school age population (18–24 years) is continuing to increase, although at a much slower rate than during the 1960s. For example, Census Bureau data show that this age group increased by 52 percent from 1960 to 1970. In contrast, the 18–24 age group is expected to grow by only 24 percent from 1970 to 1980, according to Census projections. (See Table II–5.)

TABLE II-5.—POST SECONDARY SCHOOL AGE POPULATION AND COLLEGE ENROLLMENT, AGE: 18–24 YEARS

	Population		College enrollment	
	Thousands	Percent changes [1]	Thousands	Percent change [1]
1960	15,604		2,598	
1970	23,697	+51.86	5,803	+123.34
1972	25,250	+6.55	6,257	+7.82
1973	26,150	+3.56	6,055	−3.23
1980	29,310	+12.08	8,620	+42.36
Percent change 1970–80		+23.69		+48.54

[1] Percentage change from preceding data except where noted.

Note.—1972–80 partly estimated from census projections.

Source: Bureau of the Census.

During the decade of the 1960s, college enrollment increased at a much faster rate than did the 18–24 year population. Census Bureau figures indicate that enrollment more than doubled, from approximately 2.6 million in 1960 to 5.8 million in 1970—an increase of 123 percent. The rate of increase slowed dramatically after 1970 and actually declined in the latest year for which data is available. From 1970 to 1972 college enrollment of 18–24 year-olds rose only about 8 percent, while from 1972 to 1973 such enrollment declined by about 3 percent. (See Table II–5.)

The decline in college enrollment, however, has not diminished the demand for student loan funds. Rather, it has tended to exacerbate the problem of student costs, since the situation has created financial problems for many schools. These problems have led, in many cases, to increases in tuition and other student costs, which have increased the demand for student loan funds.

Whether this trend will continue depends partly on changing attitudes of high-school graduates about the postponement or interruption of college attendance and the relative attractiveness and value of a college education. Another important factor contributing to diminished college enrollment is the end of the military draft. Moreover, the high birth rate in the early post-World War II period led to the large increase in the college-age population in recent years. Subsequent falling birth rates are beginning to have a significant effect by lowering the number of students graduating from high school.

It is interesting to note that the Office of Education figures on college enrollment differ from Census Bureau data both in total number and in the direction for 1973. According to OE, total enrollment reached 9.2 million in 1972 as compared with 8.3 million published by the Census Bureau. But while OE projected an increase to 9.4 million in 1973, Census shows the actual figures declining to 8.2 million. (See Table II–6.)

TABLE II-6.—TOTAL COLLEGE ENROLLMENT 1970–80, CENSUS BUREAU AND OFFICE OF EDUCATION

[In thousands]

		Office of education	
	Census total [1]	Total	Degree credit
1970	7,413	8,518	7,920
1971	NA	8,949	8,116
1972	8,313	9,215	8,265
1973	8,179	9,385	8,370
1975	9,147	9,802	8,645
1980	10,284	10,517	9,097

[1] 1975 and 1980 Projection series E-2 "Current Population."

NA—Not available.

Although demographic considerations may well point toward a leveling off of the total college-age population, other factors are likely to continue to escalate the demand for loans under the GSLP. Among these factors are increased awareness by lower-middle income families of the benefits of higher education; a tendency toward greater reliance on trade and vocational training in view of present and expected pay scales for skilled occupations; some evidence of a back-to-school tendency on the part of many young people; and finally, the matter of family income considerations in view of cost of living increases.

FAMILY INCOME

Applications of a needs test under present law for students in families with adjusted incomes of $15,000 or more is clearly out of date. In 1965, when the Guaranteed Student Loan Program began, less than 3.7 million families or under 8 percent of all U.S. families had incomes of $15,000 and over. By 1972 (the latest year for which Bureau of Census data are available) families with incomes of $15,000 and over totaled about 16.5 million and accounted for more than 30 percent of all families. Substantially more than one-half of that increase is due to inflation. Families with incomes measured in 1972 dollars of $15,000 and over would have amounted to 8.7 million or to 18 percent of all families in 1965. While many more families are now above the $15,000 level than in 1965, a large number of the new entrants into this class cannot afford to send their children to college without some financial help. (See Table II-7.)

TABLE II-7.—NUMBER AND PERCENT OF TOTAL FAMILIES BY INCOME CLASSES

[In thousands]

		Income classes				
	Total	Under $5,000	$5,000 to $10,000	$10,000 to $15,000	$15,000 and over	Median income
			CURRENT DOLLARS			
Number:						
1965	48,279	15,305	20,760	8,545	3,660	$6,957
1966	49,065	13,591	20,754	10,206	4,514	7,500
1967	49,834	12,658	20,233	11,262	5,681	7,933
1968	50,510	11,365	19,143	12,577	7,425	8,632
1969	51,237	10,247	17,421	13,680	9,889	9,433
1970	51,948	9,974	16,468	13,922	11,584	9,867
1971	53,296	9,850	15,830	14,337	13,271	10,285
1972	54,373	9,026	14,681	14,191	16,475	11,116
	55,053	8,038	13,378	14,039	19,544	12,051
Percent of total:						
1965	100.0	31.7	43.0	17.7	7.6	-----------
1966	100.0	27.7	42.3	20.8	9.2	-----------
1967	100.0	25.4	40.6	22.6	11.4	-----------
1968	100.0	22.5	37.9	24.9	14.7	-----------
1969	100.0	20.0	34.0	26.7	19.3	-----------
1970	100.0	19.2	31.7	26.8	22.3	-----------
1971	100.0	18.5	29.7	26.9	24.9	-----------
1972	100.0	16.6	27.0	26.1	30.3	-----------
	-----------	14.6	24.3	25.5	35.5	-----------
			1972 DOLLARS			
Number:						
1965	48,279	10,621	16,270	12,698	8,690	$9,221
1966	49,065	9,764	15,898	13,395	10,009	9,667
1967	49,834	9,369	15,747	13,605	11,113	9,940
1968	50,510	8,738	15,254	14,042	12,476	10,381
1969	51,237	8,557	14,653	14,448	13,579	10,766
1970	51,948	8,987	14,909	14,390	13,662	10,617
1971	53,296	9,327	15,242	14,550	14,177	10,578
1972	54,373	9,026	14,681	14,191	16,475	11,116
Percent of total:						
1965	100.0	22.0	33.7	26.3	18.0	-----------
1966	100.0	19.9	32.4	27.3	20.4	-----------
1967	100.0	18.8	31.6	27.3	22.3	-----------
1968	100.0	17.3	30.2	27.8	24.7	-----------
1969	100.0	16.7	28.6	28.2	26.5	-----------
1970	100.0	17.3	28.7	27.7	26.3	-----------
1971	100.0	17.5	28.6	27.3	26.6	-----------
1972	100.0	16.6	27.0	26.1	30.3	-----------

Source: Bureau of the Census, series P-70.

A $15,000 income in 1965 would amount to about $23,400 now, if adjusted for the increase in the cost of living (consumer price index). Moreover, to keep pace with rising living costs, a family income of $15,000 in 1965 would have to be higher than $23,400, because the total amount of income taxes paid out has grown disproportionally as a result of the exposure of increasing amounts of income to higher income tax brackets. Conservatively, an adjusted family income of close to $25,000 would now be required to approximate roughly the disposable real income of a similar family with an adjusted income of $15,000 in 1965.

CONCLUSION

The statistical evidence points to increasing demands for Guaranteed Student Loans. Higher overall school rates—which have generally outpaced increases in the cost of living and, in many cases, disposable family incomes—are bound to increase the need for loans. This will occur despite the expected leveling off of total college enrollment.

CHAPTER III.—HISTORICAL BACKGROUND OF THE STUDENT LOAN PROGRAM PRIOR TO 1965

Prior to the enactment of federal legislation creating the Guaranteed Student Loan Program in 1965, 17 states had somewhat similar programs. Loans were usually made by commercial banks to students attending colleges and universities. All such banks maintained a reserve fund, usually $1 in reserve for every $10 in loans guaranteed. The reserve funds were usually obtained by state appropriations; the first such program was instituted in Massachusetts in 1957.

In 1960 United Student Aid Funds, Inc., a private, non-profit agency, began a nationwide program whereby colleges deposited reserves so that their students could obtain loans.

A few states, for the most part using state appropriations, also provided loans directly to students. The program in Wisconsin was begun in 1933.

The programs administered by these various agencies formed the basis for federal legislation, which Congress began seriously considering in 1964, for by this time it had become quite clear that the traditional methods of financing post-secondary education were not meeting the needs of a sharply increasing college-age population.

HIGHER EDUCATION ACT OF 1965 AND SUBSEQUENT AMENDMENTS

The passage of the Higher Education Act of 1965 and the National Vocational Student Loan Insurance Act of 1965 provided the impetus for the federal government's active involvement in encouraging private lenders to make educational loans.

The initial program provided low-cost (6 percent) loans, with interest subsidies available to students in families with adjusted incomes of less than $15,000.

Since 1965 the Higher Education Act has been amended as follows;

(1) P.L. 89–698, The International Education Act of 1966, expanded school eligibility to include foreign schools among schools whose American students could get guaranteed loans.

(2) P.L. 89–752, The Education Amendments of 1966, expanded the authority for the District of Columbia Student Loan Program.

(3) P.L. 89–794, The Economic Opportunity Amendments of 1966, specified deferments for Peace Corps volunteers.

(4) P.L. 90–460, raised the interest rate from 6 percent to 7 percent, implemented the Administrative Cost Allowance, created reinsurance authority, and specified that the fund would be used to support the reinsurance agreements.

(5) 90–575, The Higher Education Amendment of 1968, merged the Higher Education Program and the Vocational Education Loan Program into One Guaranteed Student Loan Program.

(6) P.L. 91–95, The Emergency Insured Student Loan Act of 1969, created the special allowance of up to 3 percent per annum on all loans made on or after August 1, 1969. This allowance was to be adjusted and paid quarterly to the lender in addition to the 7 percent interest on all loans.

(7) P.L. 92-318, The Education Amendment of 1972, instituted needs analysis, increased loan maximums, insured interest, governed school eligibility for federal programs, and created the Student Loan Marketing Association (SLMA or Sallie Mae), a secondary market for guaranteed student loans.

(8) P.L. 92-391, a Joint Congressional Resolution, in August 1972, suspended implementation of the needs test application (as well as all other provisions of P.L. 92-318, except for the creation of SLMA) until March 1, 1973.

(9) P.L. 93-269, The Education Amendments of 1974, provided that students from families with an adjusted family income of less than $15,000 could borrow up to $2,000 without application of any needs test; those students from families whose adjusted income exceeds $15,000 would still be required to comply with the needs analysis of P.L. 92-318. In addition, this law extended P.L. 91-95 until July 1, 1975.

ADMINISTRATION OF THE GUARANTEED STUDENT LOAN PROGRAM

With the enactment of federal legislation in 1965, the various states were urged to implement a program of guaranteed loans. Federal advances were appropriated to assist or begin such programs. Where a state agency existed, the money was advanced to the state agency. Where no agency was authorized, the Office of Education contracted with United Student Aid Funds, Inc., to administer the program in that state. The program was operational in all states by the summer of 1966.

Today, approximately 25 states operate under the federal program. In the other 25, which operate under state or private agency, a program existed prior to adoption of the federal legislation in 1965.

The success of this program, at least in terms of dollar volume and number of students served, can be attested to by the fact that in 1966 approximately 48,000 students borrowed $77 million; in the fiscal year ended June 30, 1974, nearly 940,000 students borrowed more than $1.1 billion. The total cumulative volume in this program on June 30, 1974 amounted to nearly 7 million loans, aggregating $7 billion. In addition, the average loan per student has risen from $752 in 1967 to $1,214 in 1974 or approximately 60 percent, a significantly higher increase than the 47 percent increase in the cost of living during this period.

CHAPTER IV.—STATUS OF THE GUARANTEED STUDENT LOAN PROGRAM

The trend of annual student loan volume has been downward since fiscal year 1972 as a result of applying a needs test[1] and the reluctance of lenders to grant student loans liberally because of competing demand for loans as the escalation of interest rates continued through fiscal year 1974. The declines of the past two years occurred in a period of rapidly rising school costs and increasing dollar amount of individual loans, thereby resulting in fewer loans made.

Also, because a greater number of loans are in repayment status, the dollar volume of claims for default, bankruptcy, and death or disability has increased substantially. In view of the deepening economic recession and rising unemployment which has continued into 1975, the rate of claims as a percentage of outstanding loans being repaid will probably continue to increase unless changes are made that will reduce the default rate.

The material that follows examines these aspects of the Guaranteed Student Loan Program in greater detail.

LOAN TRENDS

Total Program.—As indicated on Table IV-1 annual loan volume was sharply down in fiscal years 1973 and 1974 from the peak achieved in 1972. In 1972 dollar volume reached $1.30 billion, up about $260 million from 1971, and about three times the amount loaned in 1968, the first year when direct federally insured loans were made.

---

[1] Temporarily introduced under Public Law 92-318 and reintroduced under Public Law 93-269 for students from families with adjusted incomes of more than $15,000.

TABLE IV-1.—GUARANTEED STUDENT LOAN COMMITMENTS, FEDERAL AND GUARANTEE AGENCY PROGRAMS

[Dollar total loan figures are in millions]

Fiscal years	Dollar volume			Number (thousands)			Dollar percent change		
	Total	Federal	Agency	Total	Federal	Agency	Total	Federal	Agency
Annual data:									
1966	[1] $77.5		[1] $77.5	[1] 48.5		[1] 48.5			
1967	248.5		248.5	330.1		330.1	(1)		(1)
1968	435.8	$66.6	369.2	515.4	82.5	432.9	+75.4		+48.6
1969	686.7	217.6	469.1	787.3	248.5	538.8	+57.6	+226.7	+26.8
1970	839.7	353.8	485.9	921.9	365.4	556.5	+22.3	+62.6	+3.8
1971	1,043.9	483.9	560.0	1,081.3	487.1	594.2	+24.3	+36.8	+15.3
1972	1,302.2	708.2	594.1	1,258.5	691.9	566.6	+24.7	+46.4	+6.1
1973	1,198.5	654.6	543.9	1,088.3	599.1	489.2	−8.0	−7.6	−8.5
1974	1,139.2	611.7	527.5	938.1	506.9	431.2	−4.9	−6.6	−3.0
	1,267.2	669.1	598.1	982.2	522.9	459.3			
Cumulative data:									
1966	77		77	48		48			
1967	326		326	379		379			
1968	762	67	695	894	83	811			
1969	1,149	284	1,165	1,681	331	1,350			
1970	2,288	638	1,650	2,603	696	1,907			
1971	3,332	1,122	2,210	3,685	1,184	2,501			
1972	4,634	1,830	2,804	4,943	1,875	3,068			
1973	5,833	2,485	3,348	6,031	2,475	3,557			
1974	6,972	3,096	3,876	6,969	2,981	3,988			
	7,882	3,540	4,342	7,641	3,306	4,335			
Dollar average loan amount:									
1966	[1] 1,598		[1] 1,598						
1967	752		752				(1)		(1)
1968	845	806	853				+4.8		+13.4
1969	872	875	870				+3.2	+8.6	+2.0
1970	910	968	873				+4.4	+10.6	+.3
1971	965	993	942				+6.0	+2.6	+7.9
1972	1,034	1,023	1,048				+7.2	+3.0	+11.3
1973	1,101	1,092	1,111				+6.5	+6.7	+6.0
1974	1,214	1,206	1,223				+9.4	+10.4	+10.1
	1,290	1,280	1,302						

[1] Based on unreliable guarantee agency data.

Source: Office of Education, Office of Guaranteed Student Loans.

Since 1972 annual loan volume has declined to less than $1.14 billion, a drop of 12½ percent. As shown on Table IV–1, during the period 1972–1974, the number of loans decreased from 1.26 million in fiscal 1972 to .94 million in 1974—a decline of nearly 25½ percent. The 1972 peak was about 2½ times the number of loans in 1968, the first fiscal year such figures were available.

By fiscal 1972, direct federally insured loans had grown to $708.2 million or 54.4 percent of total dollar volume. The federal share fell to $611.7 million or 53.6 percent of the total by 1974. The federal program accounted for 55.1 percent of the number of loans in 1972 and 54.0 percent in 1974.

The average loan amount has risen quite steadily since 1967—from $752 in that year to $1,214 in 1974. Both federal and state guarantee agency loans have been roughly the same size.

As indicated earlier, loan volume on a cumulative basis since 1965 totaled nearly $7 billion through fiscal 1974. Of this only 44.4 percent is attributable to the federal program. The cumulative number of loans totaled nearly 7 million by the end of fiscal 1974, of which 42.8 percent is federal.

It should be pointed out that although on a yearly basis the number of loans made equals the number of students borrowing, the cumulative number of loans is not the same. This occurs because the same student might have received more than one loan during his student years and different lenders might have been involved. It is estimated that through June 1974 the number of students who had obtained loans totaled about 4.0 million as compared with nearly 7 million loans made.

Commercial Bank Share of the GSL Program.—In 1969 it was estimated that commercial banks had provided about 87 percent of the guaranteed student loan volume. Moreover, about two-thirds of commercial banks were thought to be participants.

As recently as June 1970, commercial banks accounted for about 81 percent of the $2.29 billion cumulative volume of loans made to that date. Since then the commercial bank share has decreased still further, and according to the Office of Education figures, 69.4 percent of loan volume through June 1972 was originated by commercial banks. (See Table IV–2.) As shown in the data, the number of banks participating is meaningless since branches are counted as separate participants.

Up-to-date figures on lender participation are unavailable because of Office of Education computer problems in gathering and reporting state guarantee data. However, more recent figures are available for the federal part of the program. Of the $2.39 billion in accumulated federally insured loan volume and 2.55 million in the number of loans made through mid-February 1974, about 65 percent of both the dollar volume and the number of loans originated in commercial banks. (See Table IV–2.) Since many commercial banks were taking part in the state guarantee programs before the federal programs were initiated, it is likely that when the full program results are available, overall commercial bank participation will be found to have held its own.

PAID CLAIMS RESULTING FROM STUDENT LOANS

Claims arise from defaults, declarations of bankruptcy, and death or disability. Default is by far the most significant source of these claims in terms of dollar loss.

Defaults.—These arise if an installment is unpaid for 120 days (four months) after the due date. During this period the interest accruing is permitted to be part of the claim; thereafter, while the claim is being processed, no interest is paid by the insurer.

As set forth on Table IV–3, 216,200 default claims have been paid to lenders through fiscal year 1974, amounting to $237.7 million. Of these defaults, about 53.7 percent of the number of loans and 46.5 percent of the dollar amount have been on loans in the federally insured part of the program.

TABLE IV–2.—LENDER PARTICIPATION

TOTAL PROGRAM THROUGH JUNE 1972 TO JANUARY 1975:

	Number of lenders	Percent of lenders	Percent of loans
Commercial banks and branches	14,147	73.6	69.4
Mutual savings banks	447	2.3	8.7
Savings and loan associations	1,665	8.6	7.1
Credit unions	2,592	13.6	3.0
Direct loan programs	2		5.9
Other	314	1.9	5.9
Total	19,177	100.0	100.0

FEDERALLY INSURED LOANS ONLY, THROUGH FEBRUARY 10, 1974

	Amounts of loans		Number of loans	
	Millions	Percent of total	Thousands	Percent of tota
Commercial banks and branches	$1,560.9	65.3	1,661.7	65.2
Mutual savings banks	37.1	1.6	33.4	1.3
Savings and loan associations	182.5	7.6	169.6	6.7
Credit unions	114.0	4.8	108.1	4.2
Insurance companies	12.0	.5	9.5	0.4
Colleges	43.4	1.8	58.1	2.3
Vocational schools	344.0	14.4	367.8	14.4
Direct State agencies	46.6	1.9	104.4	4.1
Other	50.5	2.1	36.7	1.4
Total	2,391.0	100.0	2,549.3	100.0

Source: Office of Education, Office of Guaranteed Student Loans.

TABLE IV-3.—TOTAL CLAIMS PAID TO GUARANTEED STUDENT LOAN LENDERS, CUMULATIVE THROUGH FISCAL YEAR 1974

[Dollar figures are in millions]

	Defaults		Bankruptcy		Death and disability		Total	
	Claims	Percent of total	Claims	Percent of total	Claims	Percent of total	Claims	Percent of total
Guarantee agency program:								
Dollar amount	$157.6	53.5	$5.4	42.8	$8.7	60.8	$171.7	53.5
Number of loans (thousands)	118.6	46.3	4.0	41.4	6.6	56.6	129.2	46.6
Federally insured program:								
Dollar amount	$150.4	46.5	$7.4	57.2	$6.0	39.2	$193.7	46.5
Number of loans (thousands)	156.2	53.7	6.0	58.6	5.5	43.4	167.7	53.4
Total GSL program:								
Dollar amount	$307.9	100.0	$12.8	100.0	$14.7	100.0	$335.4	100.0
Number of loans (thousand)	274.8	100.0	10.0	100.0	12.1	100.0	296.9	100.0

Source: Office of Education, Office of Guaranteed Student Loans.

Cumulative dollar defaults as a percentage of the dollar amount of cumulative loans in repayment status were 12.0 percent as of June 1, 1974. This figure, according to U.S. Education Commissioner, Terrell H. Bell, is expected to increase to 12.7 percent by June 1975.

Bankruptcies.—Claims arising from this source have been increasing but are still a small part of the total. Bankruptcy cases represent 3.4 percent of the total cumulative number of claims and 3.8 percent of the dollars paid. Less than 8,000 loans amounting to $9.8 million have been involved in bankruptcy proceedings. By number, the larger share (58.6 percent) of loans as well as the larger share (57.2 percent) of dollar claims have originated from the federal program. (See Table IV–3.)

Death and Disability Claims.—Claims due to death and disability are relatively small also. They represent 4.6 percent and 4.9 percent, of the number and dollar volume, respectively, of total cumulative claims paid through June 30, 1974. These claims totaled about 10,700, and amounted to $12.8 million.

FEDERAL SHARE OF GSLP EXPENDITURES

Claims Paid.—Overall payments by the federal government totaled $98.8 million in fiscal 1974, up $41.4 million from 1973 and $67.2 million from 1972. (See Table IV–4.) These costs are bound to increase as the volume of loans outstanding rises. Although dollar claims growing out of the state guarantee programs amounted to approximately 53 percent of total GSLP claims, federal expenditures for state guarantee claims represent only 42 percent of the total. This is due to the 80 percent federal reinsurance coverage of the guaranteed agency loans as compared with 100 percent federal coverage of federally insured loans.

The federal government has made some attempts to recover defaulted payments, but with relatively little success. Through fiscal year 1974, collections have totaled just under $14 million, of which more than one-half was from the federally insured program.

Administrative Costs.—As estimated by the Office of Education, annual dollar outlays for salaries and other expenses to administer the Guaranteed Student Loan Program have increased sharply during the three years ending fiscal year 1974. For the first six years of operation, administrative costs rose from $485,000 in 1966 to $736,000 in 1970. Since then such costs doubled by 1972, nearly doubled again in 1974, and are expected to more than double to $5.7 million in the year beginning last July. (See Table IV–5.)

Aside from inflation, a substantial amount of the increased cost is due to: (1) greater attempts to monitor the program better; and (2) more attention and manpower devoted to skip-tracing and collecting defaulted loans. If the increased effort is successful, the additional recoveries would bring default rates down and would more than pay for the extra budget burden of administering the program.

TABLE IV-4.—FEDERAL EXPENDITURES RESULTING FROM THE GUARANTEED STUDENT LOAN PROGRAM

[Dollar amounts are in millions]

	Defaults		Bankruptcy		Death and Disability		Total	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
Guarantee agency program:								
1968-71	$9.8	55.5	$0.3	29.5	$1.5	56.3	$11.6	54.3
1972	12.1	43.0	.5	35.6	1.3	60.0	13.8	43.8
1973	21.0	40.1	.6	26.9	1.3	49.9	23.0	40.0
1974	36.8	40.0	1.0	27.9	1.9	53.0	39.7	40.2
Total	79.6	41.9	2.4	30.3	6.0	54.4	88.1	42.1
December 1974	99.4		3.1		6.7		109.3	
Federally insured program:								
1968-71	7.9	44.5	.7	70.5	1.1	43.7	9.7	45.7
1972	16.0	57.0	.9	64.4	0.9	40.0	17.8	56.2
1973	31.4	59.9	1.7	73.1	1.3	50.1	34.5	60.0
1974	55.2	60.0	2.2	72.1	1.7	47.0	59.1	59.8
Total	110.5	58.1	5.6	69.7	5.0	45.6	121.1	57.9
	150.4		7.4		6.0		163.7	
Total GSL program:								
1968-71	17.6	100.0	1.0	100.0	2.6	100.0	21.3	100.0
1972	28.1	100.0	1.4	100.0	2.2	100.0	31.6	100.0
1973	52.4	100.0	2.4	100.0	2.7	100.0	57.4	100.0
1974	92.0	100.0	3.2	100.0	3.6	100.0	98.8	100.0
Total	190.1	100.0	8.0	100.0	11.0	100.0	209.1	100.0
	249.8		10.5		12.7		273.0	

Note.—Detail may not add to totals due to rounding.

Source: Office of Education; Office of Guaranteed Student Loans.

Interest Subsidy and Special Allowance Costs.—With the growth of the program, the federal government's cost for interest on subsidized loans and the special interest allowance on all GSLP loans have also increased sharply.

Interest payments on subsidized loans in the first full year of operation totaled $5.7 million. Consistent with the expansion of the program, fiscal 1974 interest costs had risen to $219 million and are expected to increase to $247 million in fiscal year 1975. (See Table IV-5.)

TABLE IV-5.—ADMINISTRATION EXPENDITURES AND INTEREST ON SUBSIDIZED LOANS AND SPECIAL ALLOWANCE

			Interest payments (millions)		
	Administration [1] (thousands)	Administration expenses [2]	Subsidized loans	Special allowance	Total
Fiscal years—					
1966	$485	NA	(3)		(3)
1967	582	NA	$5.7		$5.7
1968	606	NA	20.7		20.7
1969	606	NA	48.4		48.4
1970	736	NA	79.8	$4.9	84.7
1971	771	NA	131.5	16.7	148.2
1972	1,436	NA	172.4	18.2	190.6
1973	1,721	4,400	201.5	22.6	224.1
1974	2,700	11,601	218.9	82.4	301.3
1975 [4]	5,750	14,565	[4] 229.4	150.0	[4] 379.4
1976 [4]		16,300	267.0	182.0	449.0

[1] Salaries and overhead at Washington Office as provided by Office of Education.
[2] Including regional personnel and automatic data processing installation not previously supplied.
[3] Less than $0.05 million.
[4] February 1975 Budget data.

Source: Office of Education.

Special allowance payments began in fiscal 1970 at nearly $5 million. These expenditures rose rapidly not only as the Guaranteed Student Loan Program expanded, but also as increases in supplementary rates were required to keep the Guaranteed Student Loan Program viable. In fiscal 1974 special allowance costs had risen to over $82 million. These costs are expected to increase to $150 million in fiscal 1975, presumably because interest rates are expected to continue at high levels. (See Table IV-5.)

CHAPTER V.—IDENTIFICATION OF PROBLEMS

STUDENT'S VIEWPOINT

Students have experienced many difficulties, some quite disturbing, in their quest for education through the Guaranteed Student Loan Program. Most of these fall into three categories:

Difficulty in Obtaining Funds.

Repayment Difficulties.

School Abuses.

Difficulty in Obtaining Funds.—This can be traced to the following circumstances:

Many lenders have been "turned off" by program problems, particularly insufficient return, paperwork frustrations, accelerating delinquencies and defaults;

The 1972 Amendments, which mandated a "needs test" for all applicants, reduced the number of students qualifying for subsidized loans. Many lenders were reluctant to make unsubsidized loans because of the extra expense incurred in billing for and collecting interest due during the in-school period. (The magnitude of this problem has been reduced significantly with the passage of P.L. 93-269, which mandates a needs test for a subsidized loan only if the student's adjusted family income exceeds $15,000 or if the loan request exceeds $2,000.);

Periods of "tight money" and high interest rates reduce the capacity of lenders to satisfy educational loan demand.

Some student applications have not been able to obtain sufficient funds to cover their educational costs because of the $2,500 per year and $7,500 ($10,000 including graduate study) per student maximum loan limits. This has become particularly burdensome to medical and law school students, who are experiencing tuition costs that have risen dramatically. In some state programs the limits have not even been raised to the maximums permitted by the 1973 Amendments.

There is also a certain amount of lender reluctance to extend loans to freshman applicants. This restriction by some institutions is based on the concept that most withdrawals or dropouts occur during the first year.

Repayment Difficulties.—From the student borrower's viewpoint, repayment of a student loan can be a burdensome responsibility, particularly in the early stages of the payout period. The income of the average borrower will normally be low in relation to future earning capacity. It is during these early days that most delinquencies and subsequent defaults are likely to occur. An optional graduated repayment schedule agreeable to both the borrower and lender could go a long way toward alleviating this problem. (See Chapter VI-Recommendations.)

Many graduates and withdrawees are having difficulties finding employment upon leaving school. These individuals obviously are unable to make loan payments on their own if they are still unemployed when the nine-month grace period has expired. Under current regulations the lender cannot grant some degree of forbearance, such as requiring interest payments only, without approved by the federal or state guaranty agency.

Additionally, loans to one student from multiple lenders could result in a heavier than necessary repayment burden if the student neglects to inform all lenders of the situation. Regulations require that the student pay a minimum of $360 per year. In the case of multiple lenders, the regulations require the lenders to scale down the minimum, when appropriate, so that the student need not pay more than the amount due had the loans been made by one lender. If, however, the student fails to inform the lenders of such a situation, he could be required to make the minimum payment to each of the lenders.

School Abuses.—Without relating any of the "horror stories" of deceptive and fraudulent activities of some vocational, technical, and home study schools, the task force is aware that there have been significant abuses perpetrated on unwitting students by a few proprietary schools.

Young people are assured by school salesmen that they will learn a trade or skill and be guaranteed employment upon completion of the course. When the school fails to deliver on such promises, the disgruntled student borrower refuses to repay the loan. Ironically, the school is totally reimbursed whether it acted as primary lender or the loan was obtained from a private lender. According to Terrell H. Bell, U.S. Commissioner of Education, "such schools [proprietary, specialized, and vocational] cumulative through June 30, 1973, accounted for 29 percent of the loan volume [in the federal program] and and based on the loan estimation model results, potentially account for 57 percent of defaulted volume."

FINANCIAL LENDER'S VIEWPOINT

Lender difficulties with the program have been classified into the following categories:

Insufficient rate of return.
Excessive "red-tape/paperwork".
High delinquencies and defaults.
Pre-claim assistance.
Lack of notification by the school of student's status.
Delays in claims payments.
No clear definition of "due diligence".
Lack of liquidity.

Insufficient Rate of Return.—Since student loans are long-term debt, the funds would be derived from savings and time deposits even in the case of commercial banks. In addition to the payment of interest and the cost of administering such deposits, it is necessary to add the relatively high cost of paying for the great amount of paperwork and red-tape of notifying and billing the Office of Education and generally servicing student loans during in-school, grace, and pay-back periods. Under existing loan and special allowance rates, guaranteed student loans are not profitable.

For commercial banks, data supplied by the Federal Reserve's Functional Cost Analysis indicate that for 1973 the combined cost of the savings and time deposit function plus interest on the deposits averaged above 6 percent. An approximate recent estimate of servicing costs associated with student loans has been on the order of 3 percent; providing an overall cost estimate for 1973 above 9 percent. (This compares with a gross earning rate—7 percent base rate plus special allowance—of about 8 percent during fiscal year 1973 and about 8 7/8 percent during calendar year 1973.) (See Table VI–2.)

The total cost to the average bank of administering the student loan program must certainly have been at least 11 percent or over during most of the 1974 calendar year due to the following factors: an increasing dependence by banks on time money, higher interest rates on consumer-type CDs as a result of changes in Regulation in July 1973, great increases in rates on large CDs, and salaries and other overhead costs continuing to climb.

More importantly, the opportunity cost of placing available funds into higher yielding, relatively riskless investments clearly makes student loans an expensive community service for the average bank. For example, from mid-May through October 1974, which includes the months of highest student loan activity, the prime rate was 11 percent or more; the Fed funds rate ranged mostly between 11 1/2 and 12 1/2 percent all summer, and even at the end of October was about 9 1/2 percent; private money market rates such as on commercial paper, bankers acceptance, and negotiable CDs have also been in the 11- to 13-percent range during much of this period. Longer-term debt instruments requiring virtually no servicing costs have been in the 10- to 11-percent range, and ever Treasury and Federal Agency obligations have for the most part looked more advantageous than student loans.

It is no wonder, therefore, that the supply of funds for the student loan program with all the red-tape and paperwork involved is of increasing concern.

For the first three months of fiscal 1975, the number of loans made was 27 percent less than in the same period of 1972 and, despite inflation, the amount loaned was 26 percent less. Presumably, the reason in part is that nonsubsidized loans are virtually unobtainable. Bankers are willing to accept the higher servicing cost of periodically billing each student for relatively small amounts of interest during the in-school and grace periods as compared with presenting one interest bill to the Office of Education on behalf of all subsidized loans.

"Red-Tape Paperwork".—The burden of paperwork begins with the loan approval process. The applicant, and in some cases the parent, is required to complete a lengthly application form, which must be notarized.

After the applicant's school enrollment is certified and the needs test applied (if the adjusted family income exceeds $15,000 or the loan $2,000), the application is approved by the bank and forwarded to the guaranty agency for review and endorsement. After endorsement is received, the bank issues the check to the borrower.

The same procedure must then be followed for each successive request for a student loan. Administering the loan continues to require considerable effort by the lender throughout the in-school and repayment periods, particularly if the borrower becomes delinquent and eventually defaults on the loan.

To add to the confusion, there are glaring inconsistencies in procedure and forms among the state guaranty agencies and in comparison with federal requirements. This appears to be a significant impediment to Sallie Mae's efforts to establish a viable secondary market for these loans. It is hoped, however, that the National Task Force on Student Aid (an inter-industry group established to develop program standards) will develop a common application form that eventually will be adopted by all of the guaranty agencies.

Poor communication between lenders, schools, and guaranty agencies magnifies the confusion. Delays along the way compound each other, multiplying the time it takes to process applications, subsidies, and claims payments. Lenders are particularly distressed when claims are paid four to eight months after the date of submission to the Office of Education. Upon notification of loans from multiple lenders to the same student, the lender is exposed to even more paperwork to insure that the student does not have to make the minimum monthly payment on each loan.

The Office of Education appears to be responding to some of these problems. Applications for approval, for example, are now being processed at one Student Loan Processing Center in Kansas City, instead of through regional offices. It is hoped that this will significantly reduce the amount of time needed for approval.

It is no secret that many lenders have been reluctant to make unsubsidized loans. This reluctance stems from the expense and difficulty inherent in collecting interest from the student during the in-school period. The magnitude of the problem is not as large as it was before the passage of P.L. 93–269, but it still exists where students do not qualify for fully subsidized loans.

There are occasions when circumstances dictate the need for a payment deferment or maturity extension. The current federal regulations require approval from the federal or state guaranty agency before this action is granted. This requirement is bound to have a deterring effect on the number of extensions granted if only because of the effort required or delay in receiving approval.

Higher Than Acceptance Delinquencies and Defaults.—Delinquency and default concerns can be viewed from two perspectives: (1) the additional cost of collection efforts and claims filing added to what is generally felt to be an unprofitable loan, and (2) the reluctance of some lenders to extend loans that jeopardize the traditional lender-borrower relationship.

Why are delinquency and default rates so high? First, almost all student loans are extended without consideration of the traditional loan criteria that are applied to other forms of credit. An 18- to 21-year-old normally has not compiled a credit record. No standards of repayment capacity can be fairly applied since the repayment is based on future income. No collateral can be offered, and net worth is minimal in most cases.

All parties, lenders, schools and guaranty agencies have been lax in conveying the seriousness of the loan obligation to the student borrower. This responsibility has been particularly abused by some proprietary school lenders who, in their eagerness to sell, neglect to emphasize the necessity of loan repayment.

The mandatory minimum nine-month grace period also serves as a deterrent to timely repayment. Experienced consumer lenders will attest to the importance of the beginning payments in the loan schedule, particularly the first payment. This payment establishes a routine, a habit, which is reinforced with each subsequent payment. With student loans in particular, it establishes a pattern before the borrower incurs further indebtedness to fulfill additional needs and desires. Anything that delays the implementation of this routine can only jeopardize the collection of the first payment and the ones that follow. Many students are eager to begin reducing their obligations immediately, particularly during a period when other obligations may be at their lowest level.

The same philosophy applies to the five-year minimum repayment period. Borrowers who wish to repay their loans in a shorter period of time to minimize the amount of interest paid are prevented from doing so by regulations.

The high proportion of students who fail to complete their education has a significant effect on the collection problem. It is almost analogous to the automobile loan borrower who discovers that he still has 24 payments left on the car he has just wrecked. Robert Sinnaeve, Vice President of U.S.A. Funds, Inc., reports that 35 percent of their defaults involve students who have withdrawn or dropped out of school.

The cost of delinquents and defaults is distressing not only to lenders but also to the agencies who must honor their guaranty. There is apprehension in the industry that mounting losses could lead to major retreat or even withdrawal from the program of some states or, if losses become too burdensome during a period of budget tightening, the federal government.

Pre-Claim Assistance.—The Office of Education Lender's Manual encourages lenders to notify the Office of Education when an account becomes 60 days past due. This notification triggers pre-claim assistance in the form of a mailgram sent to the delinquent borrower.

However, for a number of reasons, the pre-claim assistance program has not made much headway towards alleviating the default problem. According to the Office of Education, approximately 231,000 requests for pre-claim assistance were received from February 1972 through 1974. In response to these requests, approximately 191,000 mailgrams were sent by the Office of Education to delinquent borrowers. Lenders reported either a positive, 38.8 percent, or a negative result, 61.2 percent, on only 61,000 of these mailgrams. It is difficult to pinpoint the areas of neglect in this effort, but it is obvious, for example, that better coordination is needed between the federal guaranty agency and the lenders to achieve a more effective pre-claim assistance mechanism. A more effective effort could go a long way towards reducing delinquencies and defaults, since a request for payment from the federal government should elicit more attention from a delinquent borrower than a collection letter from a private lender.

Lack of Notification of Student's Status or Location.—The difficulty in locating students who have graduated or left school is a major contributory factor to the poor repayment experience of these loans. According to Mr. Sinnaeve, 63 percent of their defaultees have never made a payment to th lndr. Banks report receiving extremely poor cooperation from schools when they inquire about the whereabouts of a student borrower. Rarely is notification sent to the lender when a student graduates or leaves school. The Office of Education's planned "Post Card" system could go a long way towards alleviating the problem, provided that strong enforcement provisions are built into the system. This procedure would require the school to notify the lender and the Office of Education when a student graduates or leaves school. The notification would be accomplished by a double "Post Card" provided by the Office of Education.

Delays in Claims Payments.—Delays from four to eight months are common before claims are paid by the federal government to lenders and state guaranty agencies. This inefficiency ties up millions of dollars of non-earning funds and exacerbates the problem of insufficient yield.

The Office of Education reported to a meeting of the task force that a new computerized claims "log-in" system is now operational, which should reduce the turnaround time for claims payment to three to four weeks. In addition, the claims function is being decentralized in the regional offices to expedite payments.

The task force strongly recommends (Chapter VI) that interest be paid on defaulted loans until the claim payment is disbursed to the lender. This will eliminate any inconsistencies in processing claims of lenders in different geographic regions, as well as providing the lender with a continuing return on tied-up funds.

Due Diligence.—All participants in the program unanimously agree to the need for a clear definition of due diligence. Although "due diligence" is required, the regulations have not specifically defined the responsibilities and criteria for collecting loans.

Lenders have been distressed upon occasion to learn that claims submitted for payment have been denied by the Office of Education because in their interpretation "due diligence" was not followed in the collection effort. This contingency will continue to have a detrimental effect on the program unless more specific guidelines are developed.

Liquidity.—One of the early problems associated with the Guaranteed Student Loan Program has been the non-liquidity of student loan portfolios. Bankers wishing to make new student loans but finding themselves strapped for funds were unable to liquidate their existing loans. To meet this problem the Administration proposed the establishment of a secondary market facility for student loans in the Education Opportunity Act of 1970.

This provision was enacted in June 1972, and the Student Loan Marketing Association (Sallie Mae) began to operate in May 1973. To date, most of its operations have been in the area of warehousing loans whereby funds are advanced to lenders with student loans used as collateral. In the longer run, however, warehousing does not greatly add liquidity to student loans. This is because the law provides that the proceeds of the warehousing loans must be reinvested in new student loans within a given time period subject to Sallie Mae regulations. The investment in new student loans must be made whether or not warehousing loans are repaid before the expiration of the reinvestment time limit. Sallie Mae hopes that its direct purchase program will be functional by the time the reinvestment must be made. Thus, the student loans used for warehousing will be eligible for purchase by Sallie Mae, thereby liquidating the loans without necessitating a net new investment of funds unless that is preferred by the lender.

Through October 1974, about 99 percent of Sallie Mae's funds have gone into warehousing. The amount of such loans outstanding or arranged for was about $200 million. Lending rates on warehousing loans in late October or early November 1974 ranged from 9½ percent for short-term advances of one-half to one year, down to 8⅞ percent for four- to five-year loans.

Beginning in September 1974, outright purchases of student loans have been under negotiation. Sallie Mae's target was to hold some $50 million in student loans by the end of calendar year 1974. The total actually bought through October was $2 million, although negotiations have been continuing for additional direct purchases. All purchased loans would be serviced under contract rather than by Sallie Mae itself.

A substantial part of the problem of outright acquisition by Sallie Mae is the matter of the great diversity of loan terms, maturities, degree of guarantee of insurance (on state agency loans), guarantee constraints resulting from the ambiguous requirements to exercise "due diligence" in case of delinquency or default, variations in interest rates over the life of the loans, and others. In all, some 40 or more variables enter into the price determination. In this connection any provisions which would make student loans more uniform and liquid would make secondary market rates lower (prices higher) and purchase negotiations easier.

EDUCATIONAL INSTITUTION'S VIEWPOINT

The major concern of the schools with regard to this program is simply the inability of their students to obtain sufficient funds for educational expenses.

The concern has prompted many schools to become primary lenders, which has in turn troubled some lenders and guaranty agencies who feel that schools do not possess the expertise to ensure that more borrowers will meet their obligations. This is borne out by Office of Education statistics that show delinquency rates of 31.85 percent for vocation-school lenders and 34.41 percent for higher-education-school lenders as of June 1973. This is more than three times the 11.7 percent rate for all lenders. In addition to concern over the lack of loan experience, it is feared that the money and servicing costs in excess of the 7 percent rate plus the special allowance will eventually be passed on to the student in the form of higher tuition.

OFFICE OF EDUCATION'S VIEWPOINT

The Division of Insured Loans has experienced many of the same problems that other federal government agencies face in trying to cope with a program of this magnitude, that is, insufficient staff and budget limitations.

The Deputy Commissioner for Management of the Office of Education, Edward T. York, has advised the ABA Student Loan Task Force that the Division has been reorganized on a project basis to respond to the growing demands of the program. The Division's staff will be expanded with emphasis on the claims and loan approval functions.

Additional staff will also be added in the regional offices. It is hope that this will foster more efficient communications between lenders and the Office of Education. A major cost of the program is making good the guarantee when defaults occur. With the latest defaults rates reported to have increased to 12 percent of the loans in repayment status, this cost could continue to rise unless some significant changes are made.

STATE AND PRIVATE GUARANTY AGENCIES' VIEWPOINT

The state guaranty agencies appear to be most concerned with the federal reinsurance program which guarantees 80 percent of only the principal amount of the state agencies' losses. The state, therefore, must reimburse the lender for the remaining 20 percent of the defaulted principal balance as well as the total interest due the lender on these balances, usually up to 120 days. The state agency also bears the collection cost incurred in attempting to recover defaulted loan balances, while at the same time turning over 80 percent of the amount collected to the federal government.

Because of the reinsurance limitation, some state agencies only insure 80 or 90 percent of the loan defaults, with the lenders being exposed for the remaining 10 or 20 percent. Those supporting 100 percent reinsurance point to this situation as a deterrent to lender participation.

Mr. Charles W. V. Meares, president of the U.S.A. Funds, Inc., illustrated the disincentive that exists because of the states' obligation to pay 100 percent of post-claim collection costs, in his testimony before the House Subcommittee on Education: ". . . if a student defaults for $1,000, the federal government is willing to accept 80 percent of the loss, leaving the state guarantor $200 out-of-pocket. If the guarantor wants to exhaust every effort possible in trying to effect repayment by using a collection agency, for example, it will be out-of-pocket $300 to $350 [the amount of the agency fee]." Thus, state agencies' net loss after reimbursing the federal government would be $100 to $150, even if the agency is successful in collecting the entire $1,000.

The reinsurance arrangement also serves as a disincentive to states to initiate programs where none currently exist. If the federal government is willing to guarantee 100 percent of the defaults (principal, interest, and post-claim collection cost), why should the state be encouraged to allocate its own funds to the program? The Office of Education philosophy contends, however, that to benefit their citizens, states should be willing to share the cost of the program by partially funding the cost of claims.

State agencies have also been critical of the delay in claims payment by the Office of Education and have recommended that they be reimbursed immediately for the reinsurance portion of the claim, subject to a subsequent review by the Office of Education.

CHAPTER VI.—RECOMMENDATIONS*

The task force believes that the Guaranteed Student Loan Program is the best approach to provide loans for the purpose of post-secondary education.

The program, however, must be improved if it is to fulfill the purpose for which it was established.

The recommendations offered in this chapter will be grouped into the following major areas of concern:

Loan Repayment Flexibility.
Delinquency and Default.
Operational Problems.
Lender Compensation.
Role of State Agencies.
Student Loan Marketing Association.
Interest Subsidy.

LOAN REPAYMENT FLEXIBILITY

The heavy burden of loan repayment that falls on some borrowers would be eased considerably if students were permitted to select more flexible payment schedules.

The recommendations that follow would provide options to the student to tailor the loan terms more closely to his or her particular financial needs.

**Eliminate the Five-Year Repayment Period as Mandatory.*

This will permit the lender and the student to agree on an optional, shorter repayment period, if such an arrangement is more suitable to the needs of the borrower. No lender would be permitted to mandate a period of less than five years.

**Make the Length of the Grace Period Optional Up to a One-Year Maximum in Addition to Military, Peace Corps, or Vista Services.*

The majority of student borrowers are no doubt relieved when they are informed of the nine-month to one-year grace period upon negotiating the payout note. Some students, however, are anxious to begin reducing their obligations as soon as possible, especially if they are employed and feel that their other financial responsibilities are at a relatively low level. An earier start of repayment would also reduce the overal amount of interest paid by the student.

In addition, the sooner repayment begins, the more likely the possibility that the loan will be repaid as agreed.

In this connection, the Office of Education has actively supported the concept of early repayment:

"The longer a payment is deferred, the more obligations a borrower tends to incur. Borrowers should be encouraged to (although not required) make such prepayments as are possible during the nine to twelve month grace period before legally required." [from draft paper by OE on Due Diligence Requirements]

Although this excerpt does not specifically advocate the elimination of the mandatory nine-month to one-year period, it does urge the lender to encourage prepayments. This statement from the Office of Education lends strong philosophical support to the task force recommendation.

**Permit a Graduated Repayment Schedule to be Established at the Option of the Borrower.*

Many graduates or withdrawees find that their income in the eary years after leaving school is just not sufficient to make the level payments needed to amortize student loans in 10 years. This undoubtedly accounts for some of the high rates of delinquency and defaults during the early stages of the repayment period. An optional graduated schedule more closely akin to the borrower's income level would be most appealing to many young people. Conversely, for whatever reason, some borrowers may wish to elect a repayment schedule where payments decrease during the schedule. The key point is that the *option* to make graduated rather than level payments should exist.

To facilitate this approach, it would likely be necessary for the Office of Education to develop some standard variable repayment schedules, primarily for the benefit of the smaller lender who may not have the operational capacity to generate the necessary information, such as the changes in the monthly payments based on monthly or annual increases required to amortize the loan in a given time period.

It must also be stipulated in this change that in the event of default the guaranty agency must reimburse the lender for the unpaid balance and not the amount due had the loan been amortized on a level payment basis.

If a graduated schedule were selected the reduction in the earlier monthly payments due could be significant. A $7,500 loan scheduled for repayment over a 10-year period now requires a monthly payment of $87.08. The same loan would be amortized on a graduated schedule with increasing monthly payments that would require a much smaller first monthly payment. The first payment could vary widely. For example, on Table VI–1 is a schedule providing for a constant monthly increase of 54 cents to start at $58.69 and to end at *$122.95*, 10 years later. Or, as also shown on the table, a schedule of constant monthly payments increasing each year could be provided. In either case, such reduced amounts due in the early years could be the difference between prompt payment and delinquency or default.

DELINQUENCY AND DEFAULT

The growing student loan default rate has concerned all parties involved in the program, including students who fear that these funds will become less available if the problem is not brought under control.

The task force believes that adoption of the following recommendations would result in a down default rate.

**Restrict the Lending Function to Qualified Educational Institutions.*

Adoption of this recommendation should eliminate a major factor in the rapid increase of defaulted loans.

TABLE VI—1.—SCHEDULES OF GRADUALLY INCREASING PAYMENTS ON STUDENT LOANS OVER A 10-YEAR PAYBACK PERIOD. UNDER PRESENT LAW [1] AND UNDER PROPOSAL TO LEND 7% INTEREST TO STUDENT DURING IN-SCHOOL AND GRACE PERIODS [2]

Examples: 1. Monthly payments with constant increase each month. 2. Level monthly payments with constant increase each year.

	Under present law [1]		Under proposal to lend interest to student until payback period [2]	
Annual amount borrowed	$1,875.00		$1,875.00	
Total borrowing	7,500.00		7,500.00	
Accrued interest at 7 percent compounded quarterly	(3)		[4] 1,817.34	
Total owed b[illegible]udent at beginning of payback period	7,500.00		9,317.34	
10 Year payback at 7 percent:				
Monthly level payment	87.08		108.12	
Monthly interest only (no amortization)	43.75		54.35	
	Gradually increasing payments			
	Addition	Payment	Addition	Payment
1. Increasing each month:				
1st month		$58.69		$71.38
2d month	+$0.54	59.23	+$0.70	72.08
120th month	+.54	122.95	+.70	154.68
2. Level each year, increasing annually:				
1st year		61.54		76.75
2d year	+6.50	68.04	+8.00	84.75
10th year	+6.50	120.04	+8.00	148.75

[1] Present limit on 4-year undergraduate borrowing.

[2] Payments by OE to lende[illegible]eimbursed to OE by lender and added to loan payable by student at beginning of payback period.

[3] Under present law, interest is paid currently to lenders during in-school and grace periods, either by OE (subsidized loans) or the student (nonsubsidized loans).

[4] Assuming 1 loan disbursement to student each year on Aug. 31, with repayment note dated Mar. 31, 4 years 7 months after the first disbursement. 1st monthly payment Apr. 30, 1 month from note repayment agreement.

Statistical information available from the Office of Education indicates that repayment experience has been extremely poor at educational institutions. The delinquency rates for school lenders, 31.85 percent for vocational schools and 34.41 percent for higher education institutions, were approximately three times greater than the 11.17 percent reported by all lenders. It would seem to follow that *default* rates, although not available from the Office of Education, would also be significantly higher for school lenders than the overall average.

Data reported by the Office of Education of the National Defense Student Loan Program, a school lender program, also tend to support this recommendation. The data indicated that of the $1.84 billion in repayment status, loans representing $480 million were past due.

Schools do not ordinarily have the expertise to perform adequately the lending function. Financial institutions have developed this know-how over the years. One of their principal functions is to make and collect loans. To expect the same degree of lending proficiency from educational institutions has no *logical basis. In addition, educational institutions as lenders tend to find themselves* in a conflict of interest situation, since they are also the ultimate recipients of loaned funds.

Thus, the restriction of the lending function to professional lenders would likely have a significant positive effect on the future repayment experience of the program.

**More Stringent Requirements for Eligibility of Schools Should be Established.*

The delinquency records of the Office of Education indicate that a major source of abuses in the program is the participation of vocational, technical, and home study schools. Tighter eligibility standards are mandatory in order to screen out the "fly by night" operators who give all of these schools an undeserved bad name. A stronger monitoring mechanism should be introduced to uncover abuses of schools that have already achieved eligibility. A concomittant to these stronger criteria would be an improved system of notifying lenders promptly of changes in a school's eligibility.

**More Timely and Effective Pre-Claim Assistance Should be Established.*

The success ratio in the collection of delinquent accounts would be greatly enhanced by cooperation between the Office of Education and lending institutions in the form of more effective, timely pre-claim assistance. The lender should notify the Office of Education when a payment becomes 60 days past due in order to trigger the pre-claim notice. A letter or telegram from the federal government will no doubt elicit a greater degree of response than a private institution's past-due notice. This effort cannot be effective, however, unless there is a close coordination between the Office of Education and the lender in delinquency cases during the collection process. This procedure is apparently working well in a few state agencies. The Pennsylvania Higher Education Assistance Agency, for example, reports a reduction in default claims between 20 and 30 percent since the procedure has been in effect.

**"Due Diligence" Should be Defined More Specifically.*

Without a specific definition of due diligence, lenders most constantly live with the contingency of a claim denial. This situation serves as a disincentive to participate in the program.

Part and parcel of any definition should be the requirement that lenders convey in a clear, decisive manner to the student borrower, the sense of responsibility for the loan and the obligation to repay it.

OPERATIONAL PROBLEM

The following recommendations are proposed in order to overcome some of the operating problems that have plagued the program from its inception.

**Expand and Encourage Use of the Comprehensive Insurance Certificate.*

The Higher Education Act [Section 429b (1)] grants the Commissioner of Education the authority to issue a Certificate of Comprehensive Insurance to any eligible lender. This certification would permit the lender to extend June loans without approval from the federal guaranty agency. To date, according to an Office of Education official, only one lender has issued a certificate on a pilot test basis.

The implementation of this approach to qualified lenders on a broader scale would significantly reduce the time for the loan approval process to the benefit of the student borrowers.

**Require Schools to Notify Lenders Within 30 Days After Student Graduates or Withdraws. If Withdrawal Occurs During Summer Recess, Notification Should Occur Within 90 Days.*

This recommendation, if adopted, would greatly help to solve the problem of student location for notification of repayment responsibilities. Inherent in this proposal is an enforcement procedure, "with teeth," to serve as a deterrent against failure to comply. The proposed "Post Card" system as outlined in Chapter V seems to be the right vehicle to accomplish this purpose.

**Allow the Lender More Latitude in Granting Forbearance in the Event of Unavoidable Repayment Difficulty.*

Current regulations call for the Office of Education's or guaranty agency's approval before forbearance can be granted by the lender. The lender, because of his expertise in the extension of credit, should possess the acumen to determine whether this action will help correct the delinquency or only prolong the inevitable result. This latitude would, no doubt, encourage the use of extensions and, the task force believes, would reduce the number of defaults.

• *Develop a System to Cope with the Matter of Multiple Lenders.*

The circumstance affects both the student and the lender. A student unaware of the regulations governing the minimum payment may neglect to inform the lenders of the situation and be burdened with a minimum payment on each of the loans he has with various lenders.

If identification is made, lenders are saddled with the paperwork problem of adjusting the repayment schedules downward to conform with the regulations which permit the student to pay no more than the amount of total payment that would have been due had all the loans been granted by one lender. Accordingly, when a repayment note is prepared by a lender, the borrower should be required to submit a list of any unpaid borrowings from other GSLP lenders. An attempt should then be made to consolidate all loans or at least take each into account for establishing individual payments.

LENDER COMPENSATION

The recommendations contained within this section are aimed at providing the lender with more equitable compensation to cover the expenses of operating a student loan program.

• *Remove the 3 Percent Ceiling on the Special Allowance and Tie Allowance to a Short-Term Money Market Rate to Make the Rate of Return on Student Loans More Responsive to Market Rate Conditions.*

To achieve this purpose it is recommended that the overall rate of return to the lender be keyed to free market short-term rates plus the cost to the average lender of servicing student loans. The servicing cost for student loans combining in-school, grace, and payback periods is estimated at 3 percent of outstanding loans. This rate was compiled by averaging the reported servicing costs of a number of banks and bank-affiliated companies who are providing servicing for other lenders.

More specifically, it is recommended that the rate paid to lenders be the average of the coupon equivalent offering yields on three-month Treasury bills during the preceding calendar quarter plus 3 percent, or the 7 percent payable by the student, whichever is higher. The difference between 7 percent and the average three-month bill rate plus 3 percent would be the Special Allowance Rate. Moreover, the rate paid should be determined and announced for the upcoming quarter, so that the lenders can know in advance what the earning rate will be. This procedure would also go far to minimize the delays in the payment of interest and/or the special allowance by the Office of Education.

Explanation: Since the special allowance is reviewed and is subject to change each calendar quarter, it seems logical to tie the rate on student loans to a three-month market obligation. Also, because student loans are guaranteed by the federal government, were it not for servicing costs, it is reasonable to assume that the earning rate would not differ greatly from three-month Treasury bills.

Tying the rate to Treasury bills is closely in line with such developments as the variable rate Citicorp notes (which, however, are redeemable on demand) and the variable rate notes of the New York Bank of Savings (which are not redeemable until maturity). A rate tied to short-term market yields would make the pricing of student loans in the secondary market much easier, since the price should return to par, at least at the beginning of each quarter.

The average coupon equivalent (more appropriately interest) rates on bills during each of the preceding calendar quarters in fiscal year 1974–75 ranged from 6.79 percent to 8.71 percent. Rounded to the nearest eighth plus 3 percentage points for servicing loans, the return to lenders would have ranged from 9¾ to 11¾ percent, as compared with the range of 9¼ to 10 percent actually paid. For actual rates beginning in fiscal year 1970, and a comparison of those rates with rates that would have been paid under the proposal since the beginning of fiscal 1974, see Table VI–2.

***The Office of Education Should Pay Interest to Lenders on Defaulted Loans Until Claims are Paid.**

It is totally inequitable for lenders to receive no return on funds that are tied up in a claim, sometimes for as long as eight months to one year.

TABLE VI-2.—QUARTERLY RATES OF RETURN ON GUARANTEED STUDENT LOANS ACTUAL, FISCAL YEARS 1970-74

[In percent]

Fiscal year—	Base rate [1]	Special allowance	Total	Fiscal year—	Base rate [1]	Special allowance	Total
1970:				1973:			
I	7	2	9	I	7	¾	7¾
II	7	2¼	9¼	II	7	¾	7¾
III	7	2	9	III	7	1	8
IV	7	2¼	9¼	IV	7	1¾	8¾
1971:				1974:			
I	7	2	9	I	7	2½	9½
II	7	1½	8½	II	7	2½	9½
III	7	1	8	III	7	2¼	9¼
IV	7	1¼	8¼	IV	7	3	10
1972:							
I	7	1¼	8¼				
II	7	¾	7¾				
III	7	¾	7¾				
IV	7	¾	7¾				

COMPARISON OF ACTUAL RATES THAT WOULD HAVE BEEN PAID UNDER PROPOSAL,[2] FISCAL YEAR 1974-75

[In percent]

Fiscal year—	Base rate	Special allowance	Total	Average yield on treasury bills	Servicing cost	Total
1974:						
I	7	2½	9½	6¾	3	9¾
II	7	2½	9½	8¾	3	11¾
III	7	2¼	9¼	7¾	3	10¾
IV	7	3	10	7⅞	3	10⅞
1975:						
I	7	[3] 3	10	8⅝	3	11⅝
II	7	[3] 3	10	8⅝	3	11⅝

[1] Rates payable by student on nonsubsidized loans; payable by OE during in-school and grace periods.

[2] Average coupon-equivalent yields on 3-month Treasury bills during preceding quarter.

[3] Assuming maximum allowable is paid.

An alternative to this recommendation would be the establishment of a line of credit procedure whereby claims would be paid immediately upon submission to OE. The claim would then be reviewed by the Office of Education to see that it meets the insurance qualifications. This alternative would be less costly to the government, since interest would not have to be paid on outstanding claims balances.

**The Office of Education Should Pay Interest Due on All Defaulted Federally Insured Loans.*

The current regulations require that interest be paid to lenders on defaulted loans made subsequent to March 1, 1973. For those loans in default made prior to that date, claims reimbursement only includes principal.

This recommendation, again, reflects the concept that a lender should be compensated for the use of tied-up funds. Since there are not appreciable differences in the cost of dollars supporting those loans made prior to March 1, 1973 and those made subsequent to that date, there is no reason why interest should not be paid on all loans that become defaulted.

The additional cost of this expanded coverage will be relatively small and will diminish as the years progress. This will also eliminate program differences and inconsistencies.

**Special Allowance Should be Applicable to All Student Loans Regardless of When Loan Was Made.*

Under current regulations, the special allowance applies to loans made subsequent to August 1969. This restriction discriminates against the earliest supporters of the program in the lending community.

Again, the task force believes there is no difference in the current cost of dollars supporting those loans granted prior to August 1969 and the cost of those dollars supporting loans made after that date.

The additional cost to the Office of Education for this expanded coverage, as was pointed out in the previous recommendation, will diminish as the years progress.

ROLE OF STATE GUARANTY AGENCIES

The task force unanimously believes that state and private guaranty agencies have a significant role to play in this program. Some of its members bear strong witness to the effectiveness of an efficient, adequately funded state program.

The legislative recommendations outlined below pertaining to the role of state agencies are in the form of incentives which the task force believes will encourage more states to form guaranty agencies where the loan demand justifies such implementation. In addition, these proposals will hopefully encourage expansion of state programs already in existence where such expansion is appropriate.

**A More Equitable Sharing of Interest Expense on Defaulted Loans Between the Federal and State Agencies Should be Established.*

The expansion of the 80/20 reinsurance principle to cover interest on defaulted loans could remove a major disincentive to the establishment and expansion of state programs.

**A More Equitable Sharing of Collection Costs Between State and Federal Agencies Should Be Established.*

Under current federal regulations, the state agencies bear 100 percent of the cost of collecting defaulted loan balances on which claims have already been paid. As was pointed out previously, this serves as a disincentive to the state agency to collect these balances since collection expenses are likely to exceed the 20 percent collected and retained by the state (80 percent must be paid to the Office of Education).

One approach would have the Office of Education fund 80 percent of the collection costs and the state agency the remaining 20 percent. This would duplicate the 80/20 concept of reinsurance if, as indicated above, the state agency is reimbursed for 80 percent of the interest expense by the Office of Education. Inherent in this approach is the need for more program standardization among state agencies.

STUDENT MARKETING ASSOCIATION

**Permit All Lenders Access to the Secondary Market Programs of SLMA.*

Current Student Loan Marketing Association (Sallie Mae) regulations prohibit lenders who require a prior business relationship with the student or his family as a condition for making a student loan from participating in the warehousing program, if that institution has $50 million or more in deposits.

This requirement, which the task force considers discriminatory, has significantly curbed the effectiveness of this program.

In order for Sallie Mae to perform successfully the function for which it was created, that is, providing liquidity for student loans, all lending institutions should have access to all of its secondary market progr[illegible].

**Eliminate Requirement to Reinvest Warehousing [illegible]ances in New Student Loans.*

Under the provisions of the 1972 Amendments to the Higher Education Act of 1965, lenders are required to make new student loans to the same amount as they warehoused loans within a given period, as determined by Sallie Mae. The net effect is that for the most part Sallie Mae is providing only temporary liquidity. After the new loans have been made and the warehoused loans have been released to lenders, they will have twice as much in student loans as were warehoused. This, of course, inhibits borrowing from Sallie Mae, thus defeating the purpose Sallie Mae was intended to serve. This reinvestment provision of the law should be eliminated.

INTEREST SUBSIDY

**The Interest Subsidy Program Should Be Reconsidered.*

The task force suggests a reconsideration of the interest subsidy under the Guaranteed Student Loan Program. This suggestion is made in recognition of the original purpose and concept of a federal program for guaranteeing or insuring student loans, as separate and distinct from a grant program. In essence, the subsidy provided through a mandatory needs test represents an implicit grant. The amount of this grant is significant. It totals a little over $1,800 of interest (compounded at 7 percent quarterly) on the maximum of $7,500 of student borrowing payable by the Office of Education during a four-year academic program and a nine-month grace period.

Separation of the implicit grant from the loan program merits consideration. It would—

1. Eliminate the needs test.
2. Save upwards of $250 million per year chargeable to the loans program. (The Office of Education projection of the subsidy for fiscal year 1974 is $247 million.)

Some members of the Congress have expressed concern about the unavailability of loans for students who do not qualify for the subsidy. The problem arises because lenders have been unwilling to make nonsubsidized loans due to the additional expense of billing individual students and collecting interest payments quarterly during in-school and grace periods.

Even if this operational problem could be overcome, it still does not seem equitable for some students to pay more interest than others simply because of an arbitrary level of family income. The student's ability to repay the debt is after all determined by his and not his parent's income.

Congressional concern also extends to the rapidly increasing cost of the interest subsidy. The expense, coupled with the growing incidence of loan defaults, has led to a feeling by many members of Congress that total program costs have gotten out of hand.

Elimination of the subsidy would meet a substantial part of the cost problem, and at the same time it would remove the needs test as an unintended screening device for loan entitlement.

The task force has developed a tentative proposal that would provide for interest payments by the Office of Education during the in-school and grace periods on behalf of all students obtaining guaranteed student loans. During those periods before the loans is due to be repaid, the Office of Education would advance the 7 percent quarterly interest to the lender on the receipt of one combined bill as is done now on all subsidized loans. However, when the loan enters the pay-back stage, the lender would reimburse the Office of Education for the interest advanced on behalf of each student and, at the same time, add that amount to the payment note.

The basic rationale for eliminating the subsidy is that after students have received their education, they generally would be earning income on their own. In all cases, the debt would be theirs, independent of the family's obligations. The temporary advance of the interest payments by the Office of Education during the in-school and grace periods would probably be welcomed by most students and their families. At the same time, a lender would need to submit only one combined bill for all loans prior to payout status. And lenders would also welcome relief from the burden of turning away students who would not qualify for the present subsidy under a means test.

If subsidized loans are no longer granted, students would still retain the benefit of not being required to make interest payments during the interim period. The additional monthly repayment burden could be more than offset during the earlier months of the loan if an optional graduated repayment schedule would be made available to the student.

The subsidy program as it exists today is both costly to the federal government and unfair to deserving students who are denied access to loans. The task force hopes that the Congress will consider this suggested alternative.

CHAPTER VII—CONCLUSIONS*

The need for sufficient funds to meet the increasing demands for educational loans is evident. Higher overall school costs will most likely outweigh any leveling off of total college enrollment, indicating a continually growing need for increases in available student loan funds.

The commercial banking industry has supported this program despite its many problems and frustrations. An improved, more smoothly functioning program can only result in an even stronger degree of participation by the industry to the benefit of the millions of students who will need financial assistance in the years ahead.

A successful student loan program will provide the nation's banks with more opportunity to serve their communities better. The task force strongly believes that this service will result in long-range benefits to the lending institutions, as well as to the communities themselves. The bank that provides the needed funds to the student will most likely be remembered when that student graduates and begins to seek a banking relationship.

The adoption of these recommendations should result in a stronger, more efficiently operating Guaranteed Student Loan Program—a program that will fulfill the purpose for which it was created.

The task force also feels confident that commercial banks will respond vigorously to the challenge of a better functioning and more viable program. All participants with a stake in the program will be benefitted, particularly the student borrower, the focal point of all of our efforts.

New Federal Regulations.—New regulations were published by the Office of Education in the Federal Register on February 20, 1974. The regulations set new compliance criteria for school participation in the program, and established procedures for limiting, suspending, or terminating those educational and lending institutions which are found to be in violation of the program regulations.

The task force endorses these changes, some of which had been recommended in this report. We particularly support the following proposals:

Educational institutions would be required to maintain certain records with regard to students who borrow under the program and to notify lenders and the Office of Education when there has been a change in the borrower's enrollment status.

Educational institutions would be required to establish a fair and equitable refund policy for students who borrow under the program.

Certain schools would be required to make a determination, based on an appropriate examination or other criteria, that the prospective student has the ability to benefit from the instruction to be provided.

Administrative procedures would be established for the limitation, suspension, and termination of the eligibility of an educational institution for participating in the GSLP, or a lender participating in the Federal Insured Student Loan Program, for failure to comply with applicable law regulations, agreements, or limitations.

The primary thrust of these new rules is aimed at curing many of the unfair and deceptive practices of some educational institutions that are important factors in loan defaults. If the rules are administered in an effective manner, they should go a long way toward accomplishing this purpose.

We are particularly pleased with the requirement of timely notification of lenders by educational institutions when a student borrower's status is changed. A significant portion of loans become defaulted because the lender is unaware of changes in the student's status or location and is unable to make contact with the borrower.

Additional regulations establish more stringent requirements for educational institutions acting as lenders. The task force has recommended that the lending function be restricted to qualified financial institutions. Even if this task force recommendation is not adopted, the more stringent rules governing the lending activities of educational institutions should help to reduce defaults.

In line with the recommendation for an optional graduated repayment schedule, we do object to the change in Section 177.4 (d), requiring *equal* monthly payments during the repayment period.

Mr. O'Hara. Thank you very much, Mr. Drolet. I appreciate your testimony very much and I am very pleased, of course, that you are in general favor of the provisions of my bill as they affect guaranteed student loans, although I also think you make some very worthwhile suggestions regarding other provisions of the Eshleman bill and others that your task force came up with.

I am going to be sneaking off to the Budget Committee to try to keep in the amount of money we have budgeted for paying on the guarantees and I would at this time like to turn the gavel and the Chair—well, first, I will turn the questioning over, split the duties, turn the questioning over to my friend, Mr. Eshleman, and the gavel over to my friend, Mr. Simon, and the two of them can go at it.

Mr. ESHLEMAN. Thank you, Mr. Chairman.

Mr. Drolet, I have only two questions. There has been a great deal of criticism suggesting that some lenders, and I repeat, some lenders, are not sufficiently diligent in collecting loans. Would you care to comment on that?

Mr. DROLET. Both at a State guarantee level and at the Federal level there is a requirement for diligent pursuit of the debt. Due diligence has never been satisfactorily defined in great detail.

Mr. ESHLEMAN. Are you saying, in effect, then it is the bank's interpretation of "due diligence"?

Mr. DROLET. I am saying it is left to their own devices and I think what is pursued is their interpretation of that requirement.

Mr. ESHLEMAN. Do you think we should attempt to spell out "due diligence"?

Mr. DROLET. We have urged that of this and the Senate subcommittee and also of the Office of Education. Our industry would welcome it.

Mr. ESHLEMAN. It has been suggested that the administration of the program by the Office of Education has also been less than exemplary, although I will say publicly it is easy to throw darts at OE, but this has been said on several occasions. Would your organization favor the transfer of the administrative responsibility for loans to the Treasury Department rather than presently in the Office of Education?

Have you ever given that any thought?

Mr. DROLET. We have addressed the problem of efficiency and adequacy of the OE's administration program. We have urged upon them some improvements. We would welcome improvements. I don't think it is necessary to be transferred to the Treasury Department to get those improvements.

Mr. ESHLEMAN. Thank you. That is all.

Mr. SIMON [presiding]. Thank you, Mr. Eshleman.

Mr. Blouin.

Mr. BLOUIN. No questions, Mr. Chairman.

Mr. SIMON. We thank you very much for your testimony.

Next is Mr. Jay Evans. I might mention to the remaining witnesses that our schedule is a little unusual this morning in that we may have to adjourn somewhat abruptly to head over to the House because of the tax bill, so that the remaining witnesses may wish to enter their statements in the record and then briefly summarize those statements and then we can ask questions.

STATEMENT OF JAY EVANS, PRESIDENT, NATIONAL COUNCIL OF HIGHER EDUCATION LOAN PROGRAMS, ACCOMPANIED BY WILLIAM C. NESTER, PRESIDENT-ELECT, AND CAROL WENNERDAHL, DIRECTOR OF STATE-FEDERAL PROGRAM RELATIONS

Mr. EVANS. Thank you.

Mr. Chairman, I am pleased and honored to appear before you today to discuss the Guaranteed Student Loan Program and its provisions. I will enter the written statement for the record and try to briefly summarize some of the highlights of this testimony.

We appreciate very much the concern that all views be expressed on the legislation which was entered and which during the past year many different groups had input into. I would like to say that H.R. 3471 is very significant to our national council. It has been almost 10 years ago since the Higher Education Act was passed. Title IV, part B contained as its first purpose, where the Commissioner was charged to encourage States and nonprofit private institutions and organizations, to establish adequate loan insurance programs for students in eligible institutions.

Quite frankly that was the last significant statement or effort in that direction we have heard or witnessed for almost a decade.

We perhaps naively felt the Office of Education as its first duty in the program was to help State guarantee agencies keep the Federal Government out of the guarantee business. However, we watched with concern in the late sixties as the Office of Education entered the guarantee business and State after State fell to the lure of a free Government program.

We saw no reluctance on the Office of Education's part, we heard no protests from the Administration to the Legislature that swift action was necessary. We have never heard the Commissioner take up our standard and point out to the Congress the impossible task of encouraging States to establish any program, much less a fully comprehensive one when the Federal Government offers attractive alternatives to State investment.

We have no idea of what the Office of Education's position will be when they testify before you in a couple of weeks on the Guaranteed Student Loan Program. We can only hope it is not another lengthy apology for the FISL program and the necessity to keep the program's management in Federal hands because of the States' alleged insensitivities to the full needs of their students.

We do hope that the Office of Education might recognize the contributions of our States who have struggled to maintain whatever levels of student services we could in the face of a very repressive law.

We would welcome, as we know you would, suggestions from the Commissioner as to how this Office might assist in encouraging some Federal staffs to establish guarantee agencies.

There are three things we felt we should set forth in 3471. First, our default rates have risen somewhat during the past few months largely because of high unemployment. We suggest that a deferment period could be established which would permit the lenders, at their option, to give one 6-month deferment with interest subsidy—to the student borrower.

Next, we feel that the minimum amounts of loans in 3471 should be reexamined. We are concerned about the graduate student who has no access to other Federal financial aid programs.

Another concern is on behalf of 10 States in our organization which are direct State lenders. Representatives of these States will appear before you to present their case in more detail and we commend to you our colleagues and the work they are doing for students in their States. The Council supports them in their efforts to seek a change in the definition of "eligible lender" in H.R. 3471 to include agencies of a State.

I have attached to this paper an addendum which lists five additional items which I have previously mentioned to the subcommittee. I will not discuss them at this time and want to thank you for the opportunity to appear here today. We will be happy to answer any questions that you may have of us.

[Prepared statement follows:]

PREPARED STATEMENT OF JAY EVANS, PRESIDENT, NATIONAL COUNCIL OF HIGHER EDUCATION LOAN PROGRAMS

Mr. Chairman and members of the subcommittee: I am pleased and honored to appear before you today to discuss the Guaranteed Student Loan provisions of H.R. 3471. During the last year, you and members of your subcommittee spent an enormous amount of time holding hearings and seminars and conversing with many people interested in the subject of funding post-secondary education. We appreciate very much your concern that all views be expressed and considered, and we do not envy your task of choosing among the alternatives pressed upon you. In studying H.R. 3471, we recognize the contributions made by a vast number of people. We cannot agree with every single provision in that bill, but we are quite sure that no bill could be written which would have universal acceptance among the diverse members of the higher education community. We will attempt to change your mind on some issues as will others, we're sure.

It is generally the accepted form in offering Congressional testimony to find something agreeable, or at least inoffensive, to comment upon before "dropping the second show" and telling the committee what is really thought of the bill under consideration. We'd like to reverse that process this morning. Because certain provisions of the bill are so significant to our organization, we wanted to be quite sure that our problems with the bill did not remain last in the minds of the listeners. There are a few issues which we hope will remain open for further consideration and change:

First, there are ten states who are members of our Council who have chosen to invest state funds to supplement the commercial lending efforts in their states. H.R. 3471 would not permit them to continue that prerogative. Representatives of these states will appear before you to present their case in considerably more detail and we commend to you our colleagues and the work they are doing for students in their states. The Council supports them in their efforts to see changed the definition of an eligible lender in H.R. 3471 to include agencies of a state.

Second, we feel that the ravages of inflation have seriously eroded the value of some of the dollar amounts in the original 1965 legislation. We speak both of the $15.000 adjusted family income figure which determines eligibility for interest benefits and the original $1.500 annual loan maximum. The Council has been foremost among those advocates of retaining modest borrowing limits, and the record will show our opposition to the last increase in annual loan limits. However, the return to the $1.500 maximum loan in H.R. 3471 has caused considerable concern within our states, especially on behalf of borrowers such as our graduate students who are not eligible for all of the alternative student aid programs available to the undergraduate student. The Council reluctantly agrees with claims that loans in excess of $1,500 are necessary for some students in light of rapidly increasing college costs and in some cases limited alternative sources of funds. And while our membership declined to agree that $2,500 maximum was appropriate in all cases, there was a consensus that the loan maximums in H.R. 3471 should be re-examined to determine their adequacy in all cases. Similarly, the Council felt that an increase in the $15,000 adjusted family income level used to determine automatic eligibility for interest subsidy should be adjusted upward.

Third, the Council would like to suggest the inclusion in H.R. 3471 of a new provision which has only recently taken on major significance. Our default rates are being unusually inflated during the last few months because of the steadily growing unemployment rates which have hit the 18 to 24 year old category especially hard. While the law does permit a lender to delay a borrower's repayment requirements in such a case according to the statute's forbearance provisions, many lenders, who would be willing to defer the repayment of any principal amount owed, are reluctant to defer the interest income accruing on those loans. The inability of many unemployed to meet even the interest payments, which in the case of a student owing $5,000 can be close to $30.00 per month, has caused some well-intentioned borrowers to default on their loans. The Council believes there would be great merit in authorizing an "unemployment deferment" of up to six months to be granted at the lender's discretion, one time only in the case of an unemployed borrower. Such deferment should be eligible for the federal payment of interest benefits similar to authorized deferments for military service and return to full-time study. We have no way of costing this provision for the subcommittee, but we do feel that the additional money spent in interest benefits to cover these deferments would be less than the dollars spent paying claims on those accounts driven to default by their circumstances.

Mr. Chairman, H.R. 3471 is a very significant bill for us. Almost ten years ago, the Higher Education Act of 1965 was passed. Title IV, Part B contained as its first purpose provisions which would enable the Commissioner to encourage states and non-profit private institutions and organizations to establish adequate loan insurance programs for students in eligible institutions. Quite frankly, that was the last significant statement or effort in that direction we have heard or witnessed for almost a decade. We, perhaps naively, felt that the Office of Education's first duty in this program was to help state guarantee agencies keep the federal government out of the guarantee business. However, we watched with concern in the late 1960's as the Office of Education entered the guarantee business, and state after state fell to the lure of a free government program. We saw no reluctance on the Office of Education's part. We heard no protests from the Administration to the legislature that swift action was necessary. We have never heard the Commissioner take up our standard and point out to the Congress an impossible task of encouraging states to establish any program, much less a fully comprehensive one, when the federal government offers an attractive alternative to state investment.

We watched as the Office fo Education petitioned the Congress to improve their guarantee to include the insurance of interest with no apparent concern that the failure to similarly improve the guarantee agencies' reinsurance put the state agencies at an even further disadvantage when compared to the then mushrooming federal program.

Most recently, we have been witnesses to the Office of Education's attempts to blame their default problems on us. There have been attempts to paint the state guarantee agencies as narrow-minded, restrictive people who have cast aside thousands of deserving, high-risk, needy loan applicants who have no where to turn but to the more benevolent Federally Insured Loan Program (FISL). To prove their case, some student family income data, which was derived from an 11-month sample which is almost two years old now, was recently cited in another forum and later quoted in print by reporters present. The FISL administrators claimed their default rate was higher than the guarantee agencies because 45 percent of the students they served had adjusted family incomes of under $6,000 and the similar percentage for guarantee agencies was only 29 percent. Mr. Chairman, if our consciences permitted it, we would easily match the student demographic patterns of the FISL program. We watched with concerned and experienced eyes a few years ago as the FISL program exploded into a multi-billion dollar operation with little supervision and control. We watched huge educational institutions use their easily acquired lending licenses more as hunting licenses. However, we had no intention of allowing any school to print up our loan application as a part of their sales contract and then undertake a recruitment campaign so vigorous that they would end up with 12 percent of our volume. And yet, one such school out of the 8,700 eligible institutions did account for about 12 percent of the national FISL volume for fiscal year 1974. Had we chosen to do so, we could have allowed millions of more dollars in low-income loans to have been made through our programs. But we feel it is equally our duty to protect some students from borrowing under the pressures of salesmanship of school representatives, as it is our duty to seek to make loans available to those same students at a later time if, after leaving the influence of the school representative, they still want the educational experience offered enough to seek out a separate lender and consciously and deliberately indebt themselves for the privilege. It is with great regret that we listen to the FISL administrators defend their default rate and the program management that allowed many of those loans to be made in such a manner by claiming superior service to needy students. Yes, they did guarantee loans we would not, and quite a few of them account for the disparity in our student demographic patterns. But study the FISL loans made in guarantee agency states. You do not get the same image of a program widely serving needy students when you learn that almost two-thirds of the FISL loans in fiscal year 1974 in guarantee agency states came from two educational lenders in one state, and that almost three-fourths of those loans came from five educational lenders in the same state. And if you were to take the FISL volume in just that one guarantee agency state, it is not heartening to learn that less than twice that volume had to suffice for all the other borrowers in the 29 states and territories dependent on the FISL program, including populous states like California and Texas. Mr. Chairman, it is our contention that many of those low-income students were less beneficiaries of the FISL program and more its victims. It was because of some unfortunate occurrences in the FISL program that your late and much respected colleague, the Honorable Jerry Pettis, along with Congressman Bell felt compelled to introduce legislation protecting borrowers. We presume it was in the same spirit that you have included in H.R. 3471 certain provisions on school refunds and disclosure statements, which is a provisions of the act which the Council fully endorses.

We have no idea of what the Office of Education's position will be when they testify before you in a couple of weeks on guaranteed student loans. We can only hope that it is not another lengthy apology for the FISL program and the necessity to keep the program's management in Federal hands because of the states' alleged insensitivities to the full needs of their students. We do hope that the Office of Education might recognize the contributions of our states who have struggled to maintain whatever levels of student service we could in the fact of a very repressive law. We would welcome, as we know you would, suggestions from the Commissioner as to how this office might assist in encouraging some FISL states to establish guarantee agencies.

We certainly hope that this committee, as well as all other forums, have heard the last of claims concerning volume increases which purport to show the health of the FISL program without some accompanying candor as to just who is lending that money. If someone were to strip from the FISL loan volume all data regarding loans made by our colleagues who are direct lenders and also those loans made by a relatively few huge educational institutions, we would be done with this myth of the FISL program being a refuge for the poor and unserved, and, except where the states have intervened to make lending capital available, it would become apparent that the FISL program is instead a shrinking haven for a few large and wealthy special interests.

Mr. Chairman, we appreciate your confidence in state guarantors as shown by H.R. 3471, and we are grateful for the administrative cost allowance and increased reinsurance benefits it offers. We applaud your inclusion of an indicator to which special allowance for our lenders is tied. We would like to suggest for your consideration, however, one additional improvement which we believe would give states currently in the FISL program even more incentive to immediately establish a guarantee agency. Our Council would like to see included in your legislation some additional seed money to establish a reserve fund in those states sufficient to cover loan volume for two or three years. (Parenthetically, we would also request reconsideration of the elimination of Section 422 from H.R. 3471. This section, which contained the authority for the disbursement of reserve fund advances, was eliminated at a time when some of our members still had not received their full allocation of those dollars.) New seed money, together with the administrative cost allowance and reinsurance benefits would have the effect of establishing in FISL states a state-administered program at no cost to these states. We feel there would be an advantage to allowing the students, schools, and lenders of those states to have a trial experience, at no cost to the state, of what local program administration can do to improve upon the service received by the FISL program. Currently, FISL students are waiting two or three months during the summer months to receive word of their loan approval, and FISL lenders are waiting six months to a year to receive payments on their default claims. We feel that if 100 percent reinsurance is not forthcoming, the state would be far more willing to begin investing state dollars in the maintenance of a valuable, functioning state agency than it would be willing to invest in the immediate replacement of the FISL program whose value might right now seem questionable—especially in those few states where fiscal year 1974 loan numbers were off as much as 70 percent and 80 percent compared to fiscal year 1972 numbers.

Mr. Chairman, it has been almost a decade since anyone in Washington offered state guarantors any encouragement of a substantial nature. We have worked very hard over many obstacles during those years. We have been very hungry for any recognition of our efforts such as H.R. 3471 gives us. It renews our determination to improve our programs and the services we extend to students. Thank you for the confidence you have placed in us and we will be happy to answer any questions you or subcommittee members might have.

Addendum

SUMMARY OF POSITIONS

(By NCHELP on Changes to Title IV, Part B of the Higher Education Act of 1965, as Amended)

(Student Loan Guaranty Legislation)

In its quest to have the federal laws revised toward the more feasible operation of student loan programs throughout the United States, the NCHELP has taken the following positions:

1. There are a few restrictions placed on lenders in the writing of promissory installment notes which, if eliminated, could assist in the reduction of defaults. The "nine-month" rule prohibits a lender from having a borrower execute a repayment note whose due date of the first payment is earlier than nine months from the date the student left school. Experienced collectors indicate that the first payment is the critical one in the collection process. Anything which inhibits the collection of that payment could cause the entire account to default. Even though a borrower is permitted to "pre-pay" on the account at any time during the nine-month grace period, such payments are not encouraged by lenders because of resulting bookkeeping problems. Discouraging the payment of any money is a bad credit principal. Customer relations can become strained when a student wants the repayment note and schedule right away in order to begin repayment prior to the end of the nine-month grace period. Students are often times angered at the incredulous fact that the lender, by law, may not comply with the borrower's request to begin repayment at that time. In addition, the majority of students graduate or otherwise terminate their education in May or June. The inflexible nine-month grace period causes the bulk of the lender's yearly collection work to come due in a one- or two-month period. This overloads the lender and greatly cuts down his efficiency than would be possible had the work been more evenly distributed throughout the year. *Therefore, Congress should amend current legislation to allow the borrower and lender to mutually agree, at a time subsequent to the borrower's termination of his education, that the student will begin repayment of his loan obligation on a date not later than nine months nor more than 12 months following his date of termination of his education.* NCHELP also recommends that such authority be made applicable to all outstanding guaranteed student loans heretofore made under the student loan program.

2. Another restriction placed on lenders when writing promissory installment notes is the "five-year rule." This rule prohibits the lender from having a bor-

rower execute a repayment note whose schedule of payments is less than 60 months (unless the debt is under $1,800). Again, this causes bad borrower/lender relations when the borrower wants to repay the loans more rapidly and wants the note and payment schedule to reflect the actual payments. "Pre-paying" by borrowers in such cases causes bookkeeping problems for lenders. In cases where the borrower is making larger monthly payments than required, the borrower could lose contact with the lender after a few payments but the account would not be picked up as delinquent because the record says the borrower is paid ahead. Loss of regular contact between borrower and lender is an undesirable credit situation at any point during repayment. The borrower who is able to and wants to repay sooner but settles for the five-year schedule ends up paying more in interest than he would on a shorter repayment schedule. *For the above reasons, the Council urges Congress to make legislative changes to permit the borrower and lender to mutually agree to a repayment schedule of less than five years.* For the borrower's protection, it should be indicated that this agreement must be in writing and must occur after the borrower finishes school, and not at the time he makes application for a loan. Further, a lender should be prohibited from filing a default claim on such note until he demonstrates that he has sent in writing to the borrower an offer to refinance the note to an alternative repayment schedule having payments not greater than would have been the payments had the original "total of payments" been financed over 60 months. Further, a default claim cannot be filed on such a loan until the borrower has rejected in writing such an offer or has not responded to the offer for a period of 30 days.

3. Another bookkeeping problem exists when interest subsidy is paid during the student's repayment period. *Congress should amend legislation to permit lenders, at their option, to bill the federal government on a lump-sum basis (and perhaps at a discount) for the 3 percent interest subsidy during the repayment period on eligible loans disbursed prior to December 15, 1968.* These billings would be submitted at the time a loan enters repayment (or at any time during the repayment period) and would not be subject to refund or supplemental billing if the repayment period is subsequently extended or if the loan is prepaid. This amendment along with the special allowance amendment would permit lenders to consolidate all loans outstanding during the repayment period which would eliminate the need to break out individual balances where the lender bills the government.

4. Bankruptcy is increasingly being used by student borrowers as an alternative to repayment of the loan obligation. Credit restrictions on recent bankrupts are not insurmountable since some creditors will show preferential treatment to recent bankrupts because of the knowledge that the prospective borrower can't file for bankruptcy again for several years. Many guarantors believe that most student loan bankruptcies are truly unnecessary, and some appear to be a premeditated "easy out" for the borrower to relieve himself of this financial obligation. Since more than 90 percent of all student loan bankruptcies occur within five years after the borrower leaves school, a five year "moratorium" on student loan dischargeability would be most helpful. The "premeditated" bankrupt would be reluctant to file after the five- year period because a certain amount of assets would have been accumulated by that time. *Congress should amend the national bankruptcy laws in such a manner as to provide for the non-dischargeability of guaranteed student loans in bankruptcy during the in-school period and during an additional minimum period of five years following the beginning of the repayment period.*

5. Locating missing borrowers is virtually one of the most expensive collection functions of the guaranty agencies. Collection can usually be effected from borrowers sooner or later once they are located. The critical and time-consuming problem is merely finding them. The Council is not insensitive to the individual's right to privacy and confidentiality of data. However, the avenues of pursuit which guaranty agencies must now follow (contact with friends, neighbors, relatives, and business associates) might be labelled as a far greater violation of the borrower's right to privacy than the mere revelation of a current address. The Social Security Administration (S.S.A.) has current data on its records. It is a logical source since it is a branch of HEW, the department responsible for the student loan program. It seems grossly inefficient for the Commissioner of Education to spend huge sums of money to locate borrowers

who owe HEW money if the Commissioner of Social Security knows where they can be located. Another alternative to the S.S.A. providing current information on the missing borrowers could be for the S.S.A. to undertake the mailing of delinquency notices to the last known address of the borrower. This would insure that the S.S.A. would not divulge "confidential" information but would prove to be a less effective alternative because it precludes any telephone follow up to the letter which is often necessary. However, some missing borrowers would be motivated to contact the guarantors and, therefore, would be of some help. ***The Council recommends that Congress be informed that an S.S.A. locator service be established for furnishing locator information on missing borrowers upon request by guaranty agencies and that this service would substantially assist the agencies in the collection of and prevention of defaulted student loans.***

CONCLUSION

The National Council seriously believes that the implementation of the recommendations outlined in the position paper and this Addendum will strengthen the student loan program and greatly increase lender participation in it.

J.W.E.

Mr. Simon. Thank you, Mr. Evans.

First of all, just a general question. What is taking place in your 10 States that may not be taking place in the other 40 States?

Mr. Evans. Basically in the 10 direct States the States themselves do the actual lending rather than the commercial lenders. In some States funds from commercial lenders are pooled into a fund whereby a central lender makes a loan to the student borrower. In some of these States they also have an agency which issues the guarantees, similar to our State agency, where they are reimbursed for defaults under reinsurance at 80 percent. Others are direct States in the FISL program and receive the full benefits of the FISL program.

Mr. Simon. From the viewpoint of the student is there a greater likelihood in the State of Illinois or in any of the other States that there would be assistance? What is the practical difference for the prospective students other than the administrative machinery?

Mr. Evans. Are you speaking of practical difference with regard to the way the funds are disbursed to the student borrower?

Mr. Simon. Right, or let's say Jay Evans was a student today and he needs assistance. Is there a greater likelihood of getting assistance in the 10 States or would it not make any difference?

Mr. Evans. Really there is no difference other than the fact that in the direct States the student applies to the State. In the State guaranty agency, our council states, they apply to the local lender in their local community.

Mr. Simon. One other question. You mentioned that there is a 6-month deferral. Do you think 6 months is adequate?

Mr. Evans. We as a council feel this 6-month period should give the student time to work toward getting a job. We don't think we want to keep the deferment open ended, because of the funds involved, and possibly the excuses you might get from student borrowers.

Mr. Simon. Mr. Eshleman.

Mr. Eshleman. Mr. Evans, I realize this is probably a floating figure, but what is the national default rate now? Is there an updated figure?

Mr. Evans. I cannot give you a default rate as an average. I think what I can give you is information from the reports that the 26

State guarantee agencies file quarterly and these reports are running 5, 6, and 7 percent. Let me explain that. These rates are based upon the claims paid to the lender and they do not take into consideration the fact of any subsequent repayments to the guarantor.

So the 6- or 7-percent average can be reduced based upon these loans that are really in good standing with the State.

I think Carol Wennerdahl has figures on it which she might want to present.

Mrs. Wennerdahl. Mr. Eshleman, the figures we have for guarantee agencies which would be comparable to the FISL program are as of the last fiscal year, which would have ended on June 30, 1974. At that time the guarantee agencies had guaranteed $3.96 billion, had in repayment $1.996 billion, had paid $138,865,000 in claims, for an average default of loans in repayment of 7 percent. In other words, for every 100 students that went into repayment, 7 of them defaulted.

The FISL program had $3.1 billion in round figures, almost $1 billion in repayment, and they had paid $138 million in default claims, approximately the same as the guaranteed agencies. At the time their default rate was 14.5 percent.

I understand that in another forum Dept. pls. supply recently said the default rate is now 18 percent in the FISL program. There has not been a similar compilation of State guarantee agencies at this time, but my State's rate has raised about 1 point in the same time due to unemployment. Would that be the same in your State, Jay

Mr. Evans. I think that is right.

Mr. Eshleman. I should know this, and I don't mind admitting publicly I don't. Why the difference between the two loan agencies? It is totally different. Why?

Mrs. Wennerdahl. You might hear different theories when you asked the question of the Commissioner of Education than if I addressed it.

Mr. Eshleman. May I interrupt you there? They are both based on a present 60-day defaulted payment. In other words, both are measuring it the same way.

Mrs. Wennerdahl. Both programs measure default rates the same way.

Mr. Eshleman. Yes. Go ahead. Excuse me for interrupting.

Mrs. Wennerdahl. That is perfectly all right.

In the federally insured loan program, loan volume has started to become concentrated in a very small number of schools. I have some data here that shows, for instance, that almost one-fourth of their national volume last fiscal year came out of five educational lenders in the State of Illinois. They have a practice of insuring loans made by educational lenders, which, generally, the guarantee agencies do not.

The data for educational lenders shows, while the average delinquency across the Nation, including educational lenders, is 13.1, the colleges and universities that are lending under the FISL program have a delinquency rate of 30.8 and the proprietary schools are 46.3. Now I am speaking dollars past due but not yet in default.

For a full response to your question, it would take more time than you could allow at this hearing. Briefly, our group believes that originating student loans through an entity, in this case a school, that is responsible for establishing both the cost of the education as well as how much will be borrowed is responsible for a lot of this delinquency.

Mr. ESHLEMAN. Is that pink sheet submitted with your paper?

Mrs. WENNERDAHL. It is not.

Mr. ESHLEMAN. I would like to request of the Acting Chairman that it be added.

[Table referred to follows:]

STATE AND FEDERAL PROGRAMS: A COMPARISON OF DEFAULT RATES

Guarantor	Guaranteed	Matured notes	Claims paid	Percent
FISL program	$2,096,402,193	$952,000,000	$138,000,000	14.5
State agencies	3,960,925,167	1,995,895,419	138,865,745	7.0

The FISL data was obtained from the text of the U.S. Commissioner of Education Bell's Congressional testimony on 9/19/74 before the Senate Subcommittee on Education. While the 14.5% rate was current as of 6/30/74, it had risen from 10.8% as of 1/1/74 (per telephone conversation with U.S. General Accounting Office auditor), and it has risen to 18% already according to another testimony on 3/5/75 by Commissioner Bell before the same Subcommittee. The state agencies' data was obtained from the quarterly matured paper and default reports filed by the agencies.

STATE AND FEDERAL PROGRAMS: A COMPARISON OF GROWTH IN CLAIMS SUBMITTED

	Federally insured, insured	State guaranteed reinsured
Total paid	167,675	[1] 93,369(113,369)
Paid 1968-71	11,542	[1] 13,641 (32,641)
Paid 1972	18,911	13,407
Paid 1973	35,364	19,549
Paid 1974	59,610	30,348
July	2,138	2,755
August	2,484	3,813
September	3,265	600
October	5,883	1,800
November	4,522	2,558
December	2,195	1,230
January	2,437	3,966
February	2,640	2,641
March	6,373	2,694
April	9,316	2,955
May	10,671	2,720
June	7,686	2,616
Paid 1975	42,248	15,424
July	8,178	2,029
August	9,841	2,906
September	3,547	2,168
October	10,438	2,553
November	6,276	2,175
December	3,968	3,593
Average claims per month:		
Fiscal year 1972	1,576	1,117
Fiscal year 1973	2,947	1,629
Fiscal year 1974	4,968	2,529
Fiscal year 1975 (through December)	7,041	2,570

---

[1] While about the same dollar amount of claims have been filed on federally insured and State guaranteed loans (the average State claim is about $400 more than the Federal claim), the State agencies have about twice as many dollars that have entered repayment, theoretically exposing the States to twice as much loss. The State data in this report is reported in the form of reinsurance claims processed by the Office of Education. Default claims on which reinsurance has not been requested are negligible as a percentage of the whole except in data prior to fiscal year 1972. At that time, many guarantors had paid claims before becoming eligible for reinsurance. Adjusted data is shown in parentheses to give a close approximation of actual default claims paid by guarantee agencies during that time. (Data sources: Monthly reports published by the Office of Insured Loans.)

Mr. SIMON. I think it is an excellent suggestion and I would appreciate it. I don't know how typical this may be, but the figures you show for the universities and proprietary colleges seem to be standard?

Mrs. WENNERDAHL. Yes.

Mr. SIMON. Is this typical, and if I may toss this to Mr. Evans also—is it typical of other States also?

Mr. EVANS. In Pennsylvania we do not have a significant number of educational institution lenders, so we do not have this problem. I think the point that Carol was making is, that of the loans made by schools that had been guaranteed through the FISL program, the majority came from her State.

Mr. SIMON. Since I am from Illinois, I would be interested as to whether data pink sheet contains the name of institutions and their precise default rate. I would be interested in seeing that.

Mrs. WENNERDAHL. I would say the majority of the loans come from five schools, and they are certainly contributing to the delinquency rate. The default figures I just read to you earlier are more nationally distributed and delinquencies are not necessarily concentrated in Illinois.

Mr. SIMON. If the gentleman would yield for one more question. The figures you cited before, the $3.9 billion, $138 million on defaults, that is for what year?

Mrs. WENNERDAHL. That is at the end of fiscal 1974 cumulative.

Mr. ESHLEMAN. I have one more related question. Is your organization more selective with your loans? How many proprietary institutions do you lend to?

Mr. EVANS. In our program you are referring to the dollars that the States of Pennsylvania and New York would put into a proprietary school?

Mr. ESHLEMAN. Yes.

Mr. EVANS. In our program there are relatively few restrictions to proprietary schools. There are some. I do not have the names of the States that restrict them.

Let me say that the States of Pennsylvania and New York, the larger States, are open entirely to all students and Carol might add something to that.

Mrs. WENNERDAHL. Mr. Eshleman, the last time I looked at the rundown of State agencies and who they would lend to, the only major group that State agencies did not lend to were the home-study schools. You should know that until recently the vast majority of these schools were not filing for defaults anyway. So while they are not contributing to our default rate, neither were they contributing to the FISL default rate.

Mr. ESHLEMAN. Could you supply a list of the schools, a list of the States and what they exclude.

Mrs. WENNERDAHL. Yes.

[Listing of eligible schools follow:]

ELIGIBLE SCHOOLS IN STUDENT LOAN PROGRAMS ADMINISTERED BY STATE AND PRIVATE NONPROFIT GUARANTEE AGENCIES

The following agencies will guarantee loans to students attending all schools approved by the U.S. Commissioner of Education: Connecticut, Georgia, Massachusetts, Michigan, New Hampshire, Oregon, Tennessee, and Wisconsin.

The following agencies will guarantee loans to students attending all eligible schools except home study schools: Alaska, Arkansas, Delaware, District of Columbia, Illinois, Maine, Maryland, New Jersey, New York, Nevada, North Carolina, Ohio, Oklahoma, Rhode Island, Vermont, Virginia, and United Student Aid Funds, Inc.

Pennsylvania cannot guarantee loans to students attending theological seminaries or other religious schools. (constitutional prohibition)

Louisiana does not guarantee loans to home study students and students attending proprietary institutions outside the State of Louisiana.

Mr. ESHLEMAN. Not what they exclude, but everything else that would be in the school.

Mrs. WENNERDAHL. Yes.

Mr. SIMON. Mr. Quie.

Mr. QUIE. When you say if we give the States the same assistance as the FISL program, being administrative costs, I assume you would insure the entire amount rather than 80 percent?

Mr. EVANS. Our council's position on this, Congressman, we wanted equality among the 50 States. We want 50 State programs. If the State of California gets 100 percent paid on their losses, Pennsylvania would like 100 percent paid. But we don't feel there should be inequality where Pennsylvania is 80 percent and California is 100 percent.

Mr. QUIE. Does that mean you would be able to get your default rate up for the FISL program?

Mr. EVANS. I would think not.

Mr. SIMON. I would like to feel it is the other way around.

Mr. QUIE. It would put the FISL program out of business and put it under the States. You couldn't do it right away because some States are not ready yet, but you could in some way reward the States for the good job that has been done, like Pennsylvania.

Mr. ESHLEMAN. We will buy that.

Mr. EVANS. It is good public policy.

Mr. QUIE. That is a good public policy for this program and I share your views. Do you support some kind of standards for cutting off the institution as a lender if they run into that kind of problem for their program which causes a high default rate?

Mr. EVANS. You are speaking of just students going to a particular school, not in particular a school as a lender?

Mr. QUIE. I assume that you do not favor cutting off schools as lenders?

Mr. EVANS. We definitely do.

Mr. QUIE. You want to cut off all schools?

Mr. EVANS. Yes, all schools. The only inclusion we would like to make in H.R. 3471 is States being permitted to be direct lenders. We would historically have been against schools as lenders, all schools.

Mr. QUIE. Well, you know, the University of Minnesota has been a lender for a long time and has done an outstanding job. Why should they be cut off?

Mr. EVANS. It is our feeling the lending is best done with commercial lenders and if the incentives are strong in the State program as in Pennsylvania, which is a prime example, we don't have the requests for schools to become lenders because the students are being served.

We feel, with a strong State agency, the students can be served. The need for schools to lend is not there. So the collection process which must be taken on by the educational institution at the time when they must give a degree should not be a responsibility which they have to face.

Mr. Quie. Some of the schools have handled it themselves for a long time and have excellent records of lending money. Shouldn't that be permitted?

Mrs. Wennerdahl. If I may, the question is more one of where one draws the line. We know two things contribute to lenders' delinquency and default rate. One is student demographics. There could be a school where there is a relatively middle income or an upper middle income student population, which would probably have an acceptable delinquency rate, in spite of very poor program management. The best management possible at a school of the inter-city type that we have in Chicago with a very low income student population would still result in a high delinquency rate.

Our concern is, first, with the student. I think I get concerned whenever there is a possibility that a lender who is handling the credit requirements of a student might need the student more than the student might need that particular institution. But we cannot choose between the institutions that don't need students and who could effectively give the student the same type of objective treatment that commercial lending institutions can give, versus the type of school that desperately needs students, and who have as their major means of recruiting students their ability to furnish easy credit.

Such schools are not helping the students and I also submit it is a very poor way to draw the line between what schools should be an eligible lenders and what schools should not.

Mr. Quie. I know part of the problem would be alleviated if a State was a lender, but I am not convinced that leaving it entirely to private lenders is adequate either. Some private lenders will turn their business over to people in the bank who are handling installment loans and they do not like to work with inner city people, minorities. There is a tendency for them to feel that as a group they don't pay back their loans.

However, the education institution, I think, also makes loans to some individuals who are deserving and has also had the problem of individuals moving from other communities. A private lender likes to lend to the people of his own community because the business is improved for them, rather than to help whoever happens to attend the institution in that city.

Mr. Evans. I think this again comes back to the strong State agency.

Mr. Quie. All right, I recognize the strong State agency would alleviate that considerably.

Mr. Evans. Stated again, in Pennsylvania we do not have the schools, the large schools that must go out and lend the money because the kids are not getting money to any great extent.

Mr. QUIE. Do you have any public institutions in the State that do?

Mr. EVANS. We have five institutions who are lenders and it is minimal lending. I think they lent less than $50,000 in total loans in Pennsylvania last year.

Mr. QUIE. Did any of the State universities lend before the Federal Government got into the business and turned it over to the State agency afterward?

Mr. EVANS. No, to my knowledge, no.

Mr. QUIE. That is all.

Mr. SIMON. Thank you very much. We appreciate your testimony.

Mr. SIMON. Mr. Meares, president and chief executive of the United Student Aid Funds, Inc. First identify yourself for the record, as well as for all of us introduce those with you.

STATEMENT OF CHARLES W. V. MEARES, PRESIDENT AND CHIEF EXECUTIVE, UNITED STUDENT AID FUNDS, INC., ACCOMPANIED BY ROBERT C. SINNAEVE, VICE PRESIDENT; AND EDWARD A. McCABE, COUNSEL

Mr. MEARES. Mr. Chairman, my name is Charles W. V. Meares.

I am presenting this statement on behalf of United Student Air Funds, Inc., 200 East 42d Street, New York City, of which I am president and chief executive. I am accompanied today by Robert C. Sinnaeve, vice president of USAF, and Edward A. McCabe, our Washington counsel.

United Student Aid Funds is pleased to have the opportunity to submit its comments on the changes and revisions in title IV of the Higher Education Act as proposed in H.R. 3471 which this committee has under study.

United Student Aid Funds' thoughts on this subject are based on 14 years' experience with student loan programs. Guaranteeing student loans is our business. It is what we were set up to do. We are a private, not-for-profit organization whose only interest—whose only reason for existence—is to help deserving students achieve their educational ambitions.

Since our establishment in 1960 we have guaranteed over 500,000 loans to students aggregating about $420 million. We are the only private sector student loan guarantor operating in all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands. We have contracts with about 1,000 universities, colleges, and schools, and have dealings with some 7,500 lending institutions throughout the country.

It is out of this long, broad-based experience that the following observations are made with respect to part B of H.R. 3471, the part having to do with guaranteed student loans, our field of expertise.

Let me say right at the outset, Mr. Chairman, that United Student Aid Funds applauds the general direction in which the proposed legislation would take us. The proposed phaseout of the Federal

Government as direct guarantors of student loans seems to us to be highly desirable. Returning the program to the States, with the Federal Government providing 80 percent reinsurance, should undoubtedly produce some very healthy results, particularly on the default rate which has become intolerably high.

Experience indicates that the States, perhaps because they operate at a more localiezd level, can do a good job with student loan programs and can operate with low delinquency and default rates, particularly if they have the proper motivation. The 20 percent share of the default loss that they will bear under the proposed law should give them the necessary incentive to do the best job they possibly can.

So we begin, Mr. Chairman, by being in basic agreement. Having said that, and asking you to keep it in mind during the remainder of my testimony, may I now make some specific comments and, in some cases, suggest specific changes in H.R. 3471.

In the interest of time I will make my suggestions in summary form.

The first point I would like to make is, it is our very strong feeling that what the student loan program mostly needs is lenders. Lenders are essential to the success of this program. We believe that lenders ought to be attracted to the program and we believe that lenders can only be attracted to the program by offering them the possibility of getting a reasonable return for the funds advanced to students and for the tremendous amount of administrative work that is entailed in making a student loan, one that extends over a long period of time with a great many difficulties in the way of keeping track of students and so forth.

We favor the new approach to the special allowance that is provided in H.R. 3471 and think that using some yardstick like the 90-day Treasury bill rate is a move in the right direction, but we strongly feel that a 3 percent additional amount to that Treasury bill rate is now sufficient to make the program attractive to lending.

The Treasury bill rate today stands at 5.5 percent. Adding the 3 percent to that would mean that lenders would get a total return of 8.5 percent. I don't think anyone can seriously contend, even though interest rates have come down somewhat in the last several months, that 8.5 percent is an attractive enough return to really insure lender participation in this program.

We, therefore, strongly would like to urge that consideration be given to increasing that 3 percent allowance by a special additional 2 percent administrative allowance.

If this had been in the law over the last 5 years the Treasury bill rate has averaged 6 percent, adding 3 percent to that would mean the return to lenders would have been 9 percent, and adding our 2 percent special administrative allowance would bring the rate up to 11 percent. That is still a very unattractive and low rate for installment loans, but we think that this 2 percent might well provide the additional incentive that lenders obviously need to attract them to this program.

Mr. Quie was asking before about the matter of other lenders and I would like to make the observation that I think if commercial lenders were attracted to this program in sufficient numbers, I think the other lenders, whether they were allowed by law or not allowed by law to do this, would dry up. Nobody wants to be in the lending business if it is not their business.

The only reason and the main reason that other lenders got into this act was that there were not enough commercial lenders available and I think if this law could be strengthened to the point where commercial lenders could be attracted to the program, the other problems of other lenders would disappear.

The second point I would like to make is we are very sympathetic to the reasons underlying the move towards lower loan limits, but we question the practicality of moving those limits to a lower level at this particular time, bearing in mind that college costs are increasing all over the country and are projected to continue to go up so long as we have inflation with us.

We would like to suggest that the present limits be retained but with the additional proviso that no loan can exceed 40 percent of anticipated college costs, total costs of college. We agree that borrowers should not become overburdened with debt, but we recognize that some colleges are getting up as high as $6,500 to $7,000 a year now and to reduce loan payments from $2,500 to $1,500 in the face of that does not seem to be the most practical thing to do.

The third point we would like to make is, we would urge that the law encourage and authorize the greater use of collection agencies to improve, or we believe this would improve recovery after default and it would help to prevent defaults from occurring. I don't believe that any really good loan program can operate very well unless the collection agencies are a last resort use.

There are features in the present reinsurance arrangements which make it nonfeasible for guarantors to use collection agencies after default has occurred.

The fourth point I would like to make is we favor the proposed administrative allowance for the States of 1.5 percent, but we believe that it should also be payable to all guarantors under programs eligible under section 428(a). The United Student Aid Fund is a private nonprofit organization and participates today and its programs participate in all aspects of the Federal program.

The interest subsidy to the student is, one, a special allowance to lenders, and we don't quite see why we have been left out and other people like us have been left out of this administrative allowance to the states.

Lastly, the final point I would like to make is really that we believe leeway should be given to lenders to accept repayment at a rate less than $360 a year where a real hardship is involved. This has been in the law for a long time and perhaps it has escaped our attention until now, but I think all of us today, with the economic situation, are facing up to what is going to be done when students cannot find jobs after they graduate and some of them won't be able to for a long time, we think that while the $360 minimum is probably a good thing in general and should be retained in the law, maybe the law should provide for some leeway to lenders where there is, in their opinion, real hardship.

It is better to keep contact with a borrower even if you have to take $15 or $20 a month from him instead of $30, than to let him go by default and then he becomes delinquent. I think that there is good reasons why that should be changed.

In closing, Mr. Chairman, I am reminded that when I testified before this committee last year I advocated that the Federal Government discontinue the interest subsidy to so-called needy students.

Our rationale for this was that payment of the subsidy is very costly in the aggregate to the government, but of less than vital importance to the individual student borrower. We felt a little, if any, real hardship would result from requiring all student borrowers to pay interest.

Furthermore, such a requirement would make all student borrowers more aware from the outset of their loan obligations and this would reduce defaults. We thought, too, the government outlay entailed could better be used elsewhere than in the student loan programs.

We repeat that recommendation particularly because we believe there may be objections from a cost standpoint to adopting our suggestions of providing an administrative allowance of 2 percent to lenders. Elimination of the interest subsidy to students would provide more than enough money to pay for such an administrative allowance.

I cannot emphasize enough, Mr. Chairman, our belief that the only way in which student loan programs can possibly succeed, and we must see to it that they do succeed, is to attract willing lenders to the program.

We know from experience that the paramount issue in the student's mind is the ready availability of the loan. All other questions, including that of who pays it, are secondary.

So we end our testimony as we began, by urging you to do all in your power to encourage and insure lender participation. I would like to see the day come when every commercial lending institution in the country is willing, and, yes, even eager, to make loans when reasonable limits to deserving students, not just depositors and customers, not just within a predetermined low quota, but freely and readily to all deserving applicants.

This can happen only if lenders are assured of a reasonable return.

I would like to thank you, Mr. Chairman, for giving us the opportunity to express our views on this important legislation. I should like to thank you also and all of the members of your committee and your staff for the continuing attention you have given and are giving to these matters. It is extremely heart-warming and heartening to those of us who spend our lives in the educational world to find this kind of thoughtful consideration being brought to a problem by people who have so many other important questions demanding their attention. We are most grateful and say sincerely, thanks very much.

If there are any questions, we would be glad to try to answer them.

[Prepared statement follows:]

STATEMENT OF CHARLES W. V. MEARES, PRESIDENT AND CHIEF EXECUTIVE, UNITED STUDENT AID FUNDS, INC.

SPECIAL ALLOWANCE

In its testimony to this committee last year, United Student Aid Funds urged that the special allowance to lenders be increased. We gave two reasons for our recommendation:

1. The high interest rates prevailing in the general money market;
2. The large amount of detailed administrative work entailed in making student loans.

These reasons remain valid today. Even though we have seen a steady decline in interest rates over the past few months, the return on student loans is still comparatively unattractive. And we have no assurance that interest rates in general won't go up again. On the contrary, most economists believe that they will. But the matter of administrative cost is the most important facet of this question. Just think of the detailed record keeping and follow-up work needed to make a good student loan. It is for a small amount to begin with, say $1,200 or so on the average. It calls for repayment to commence at some fairly distant, and often indeterminate date.

If the interest is paid on the student's behalf by the government, or if the interest is deferred, there is no contact between the lender and the borrower for several years, and the possibilities of eventual delinquency and default are enhanced. If interest is collected from the student, the more frequently it is done the better, but this increases collection costs. In general, the less frequent the contacts with the borrower, the greater the chance of losing track of the student—and the more chance there is that he will not fully recognize his obligation. When we come to repayment time, new negotiations have to be entered into, the result usually being small monthly repayments extending over a period of several years. In many cases, because of multiple borrowings, as much as a dozen years elapses from the time the first loan was made until full repayment is effected. There are countless opportunities for difficulties to develop over such a long period of time.

Add to all this the problem of defaults and it is not hard to understand why many lenders are reluctant to participate in student loan programs. True, the loans are guaranteed and become the guarantor's responsibility after default. But during the delinquency period that precedes default, the lender has an enormous amount of work to do—trying to find students whose whereabouts are unknown, trying to persuade borrowers to make some effort to repay, trying to work out suitable arrangements in genuine hardship cases. Like Gilbert and Sullivan's policeman, the lender's lot is not a happy one.

Accordingly, United Student Aid Funds makes the strongest plea it can for putting the special allowance at a level where the total return to the lender will represent something like adequate compensation for the funds advanced and the many problems involved.

In our view, the change in the method of determining the special allowance proposed in the bill before you, is a step very much in the right direction. As you, Mr. Chairman, pointed out on the floor of the House in presenting the bill, lenders should know at the time they are making loans how much the special allowance is likely to be. Removing the present uncertainty and long delay in making the determination will be quite beneficial. Thus, we heartily approve of tying the level of the special allowance to some readily available yardstick such as the average rate for ninety-day Treasury bills.

It is our belief, however, that the proposed 3% addition to that yardstick is sufficient only to bring the return up to an appropriate level for the long-term kind of loan being made under student loan programs, and makes no allowance at all for the additional administrative burden entailed. For example, at the present time the rate on ninety-day Treasury bills is close to 5½%. Adding 3% to that figure would bring the gross yield on student loans to 8½%. (The present method resulted in a gross yield of 10% for the last quarter of 1974.) We don't think anyone could seriously contend that an 8½% gross yield represents an attractive return to lenders under a program entailing so much administrative detail. And yet, if the student loan program is to succeed, it must be made attractive to lenders. Without lenders, all of your efforts, Mr. Chairman, will have been in vain. We must shape this program so that no deserving student is unable to find a lender willing to do business with him. Lenders will probably never make a net profit on student loans; they probably don't expect to, but will nevertheless be willing to participate provided they have a good chance of breaking even. But it isn't reasonable to ask them to undertake all the administrative detail work and difficulties involved and lose money in the bargain.

Accordingly, we feel it imperative that an additional special allowance of 2% be added to the proposed formula, specifically to cover administrative costs and services. We believe that the additional 2% will prove to be the incentive that will at long last make student loans somewhat more attractive to lenders. From an examination of the rates prevailing for ninety-day Treasury bills over the past 5 years, we find that the rate has averaged 6%. If we add 3% plus 2% for administrative costs to this figure, the resulting gross yield would have averaged 11%. This is still well below the rate charged by commercial banks for installment loans.

Incidentally, Mr. Chairman, we would like to voice our agreement with your position that those institutions which are regularly engaged in the business of lending money are the best equipped to lend money to students. The more the lending is done by banks, savings institutions, credit unions and other commercial lenders, the better the results are bound to be. But the program must be more attractive to commercial lenders to insure their participation. One of the main reasons other lenders not normally in the lending business have entered the student-loan field is that not enough commercial lenders have been attracted to the program. It is vital that this deficiency be corrected.

LOAN LIMITS

I would now like to address myself, Mr. Chairman, to the lower limits for loans proposed in the new bill. We are in complete agreement with the notion underlying the proposed lower limits, viz. that students should not be encouraged to take on a burden of debt that may turn out to be too much for them. It has always been our philosophy at United Student Aid Funds that student loans should be a last, not a first, resort. They should be used to supplement, not supplant, all other aid available. Only after all the possibilities of scholarships, grants, work-study programs, parental and family aid, and other means of assistance have been exhausted, should a student contemplate undertaking a student loan. This has been the guiding principle on which we have operated for the past 15 years.

Despite this some of our student "customers" have become overburdened with debt. Although I can't support this statistically, we have the strong feeling, which is really only common sense, that this leads to default. Certainly it leads in some cases to bankruptcy which has been rising at an alarming rate among student borrowers in the last year or two. Accordingly, we feel strong sympathy to any proposal calculated to keep student borrowing to a minimum.

However, in view of steadily rising college costs, it may seem somewhat arbitrary to some to reduce to $1,500 a year ($5,000 in the aggregate for undergraduates, $10,000 including graduate work) the borrowing capacity of a student that has stood for several years at $2,500 a year ($7,500 in the aggregate for undergraduates, $10,000 including graduate work). The proposed lower limits may suffice in many cases, especially if all other avenues of aid are given a thorough exploration, but there will be some cases, Mr. Chairman, where the lower limits will impose a real hardship. Total costs of attending undergraduate school will run as high as $6,500 to $7,000 per year in some schools this coming year, and are projected to go even higher in inflation keeps up. So, while we are in basic agreement with the main objective of the lower limits which is to keep student debt at a minimum, it could well be that the proposal goes a bit too far. Perhaps retention of the present limits ($2,500 a year, $7,500 in total for undergraduates, $10,000 for graduates) with the further proviso that no student may borrow more than, say, 40% of total estimated costs, would better serve the purpose. This would keep borrowing down for most students but would still provide for the student who wishes to attend an expensive private institution and is willing to undertake the resulting financial burden.

USE OF COLLECTION AGENCIES

United Student Aid Funds attributes some of its success in holding student loan defaults down to a relatively reasonable level and in effecting fairly substantial post-default recoveries to its practice of using collection agencies to follow up on defaulters. In our experience, professional collection agencies more than justify the high cost of their services which is usually a percentage (30% to 35%) of the amounts they recover. Their use not only produces recoveries from people who otherwise wouldn't pay, it also serves as a deterrent to potential defaulters. We firmly believe, therefore, that the use of collection agencies contributes to the maintenance of any healthy loan program, whether for students or other borrowers.

At present, there is no direct mention in the law or the regulations of the use of collection agencies under student loan programs. Perhaps there should be. If the law specifically authorized and encouraged their use, the practice would become more general. I am not suggesting that their use be required but if it were clear that it was permitted and even encouraged, there might be less reluctance to employ their services. The benefits could be quite substantial, especially if the expected result of preventing defaults were achieved.

In one respect, the present law and regulations actively discourage the use of collection agencies. This comes about from the formula used in turning over recoveries to the Federal Government after it has made good on its 80% reinsurance on a default. As things stand today, the Federal Government requires that 80% of *gross* recoveries be paid to it, even though a collection agency may have charged 35% of the recovery as its fee, leaving only 65% in hand. The way it works is this: A student defaults on a $1,000 loan. After the guarantor has purchased the defaulted note from the lender, it collects $800 from the government under its reinsurance agreement. The guarantor is out-of-pocket the remaining $200. Suppose the guarantor now turns the collection process over to a professional agency and that agency is successful in having the student repay the $1,000. The agency keeps $350 as its fee and remits the remaining $650 to the guarantor. The guarantor must now pay the Federal Government $800 (80% of the $1,000 paid by the student) and thus is out-of-pocket to the tune of an additional $150. The repayment has increased its loss from $200 to $350. Is it any wonder that guarantors who participate in the government's reinsurance program generally don't use collection agencies. To some extent, this is an academic point so far as United Student Aid Funds are concerned because we don't participate in Federal reinsurance, which may account for the fact that we use collection agencies while most other guarantors don't. The latter may also account, in turn, for the fact that our net default rate, after recoveries, is comparatively low, around 4%.

We believe the present disincentive to the use of collection agencies should be removed by providing in the law for payment to the Federal Government of 80% of *net* recoveries after the deduction of collection costs.

ADMINISTRATIVE ALLOWANCE TO STATES

The proposed bill provides an administrative allowance of 1½% of the total amount of loans insured each year to be paid to "a State which conducts a student loan insurance program or an institution or organization which is authorized by a State to conduct such a program for that State . . ." In principle, we heartily endorse the objective of this new proposal. In line with our plea for an administrative allowance for lenders, we believe this is the proper sort of encouragement the Federal government should give to the establishment and maintenance of local programs.

We find it difficult to understand, however, why such an administrative allowance should be limited to the States and the organizations they appoint to administer their programs. What about the private programs which already qualify for the interest subsidy, the special allowance and other benefits available under the Federal program? United Student Aid Funds has hundreds of such programs in place and working today to help provide the vast amount of student loans needed. Surely these programs, which have been encouraged and fostered by Federal legislation ever since the passage of the Higher Education Act of 1965, are not to be abandoned or put at an economic disadvantage.

Our strong plea, Mr. Chairman, is that the administrative allowance, which we heartily endorse, be extended not just to the States but also to all nonprofit institutions or organizations with which the Commissioner has an agreement under section 428(a). This would make the proposal consistent with all the other provisions of the law.

HARDSHIP CASES

Sec. 428(a)(K) of the proposed law mandates that student loan repayments be at a rate not less than $360 per annum. This provision is simply a carryover from earlier versions of the law. Perhaps we should have commented on this provision when we appeared previously before this Committee, but the point we have in mind seems to have escaped our attention until now. The point is this: Ought there not be some leeway given to lenders to work out with students in hardship cases, repayment arrangements of lesser amounts than $360 per year? The $360 minimum is probably quite satisfactory in all but hardship cases. In the present economic climate, however, it would appear that lenders should not be turning their backs on even small repayments in cases of proved hardship. We would recommend retention of the present $360 minimum with the addition of the proviso that lenders can exercise their discretion and accept lower repayments when they are convinced there is genuine hardship. This would enable lenders to encourage continued recognition of the obligation, maintain the borrower's credit standing and not encourage bankruptcy.

SUMMARY

Mr. Chairman, let me summarize the points I have tried to make here this morning:

1. United Student Aid Funds endorses the general direction taken in H.R. 3471.
2. We favor the new approach to the special allowance to lenders but strongly believe an additional administrative allowance is needed.
3. We are sympathetic to the reasons underlying the lower loan limits but question their practicality and suggest that present limits be retained with the proviso that no loan can exceed 40% of anticipated college costs.
4. We urge the greater use of collection agencies to improve recoveries after default and to help prevent defaults from occurring.
5. We favor the proposed administrative allowance to States but believe it should also be payable to all guarantors under programs eligible under Sec. 428(a).
6. We believe leeway should be given to lenders to accept repayment at a rate less than $360 per year where hardship is involved.

In closing, Mr. Chairman, I am reminded that when I testified before this committee last year, I advocated that the Federal government discontinue the interest subsidy to so-called needy students. Our rationale for this was that payment of the subsidy is very costly in the aggregate to the government but of less than vital importance to the individual student borrower. We felt that little, if any, real hardship would result from requiring all student borrowers to pay interest. Furthermore, such a requirement would make all student borrowers more aware from the outset of their loan obligations and this would reduce defaults. We thought, too, that the government outlay entailed could be better used elsewhere in the education and student loan programs.

We repeat the recommendations today, particularly because we realize that there may be objections, from a cost standpoint, to adopting our suggstion of providing an administrative allowance of 2% per annum to lenders. Elimination of the interest subsidy to students would provide more than enough money to pay for such an administrative allowance. I cannot emphasize enough, Mr. Chairman, our belief that the only way in which student loan programs can possibly succeed—and we must see to it that they do succeed—is to attract willing lenders to the program. We know from experience that the paramount issue in the student's mind is the ready availability of the loan; all other questions, including that of who pays the interest, are secondary.

So we end our testimony as we began, by urging you to do all in your power to encourage and insure lender participation. I would like to see the day come when every commercial lending institution in the country is willing and, yes, even eager, to make loans within reasonable limits to deserving students, not just to depositors and customers, not just within a pre-determined low quota but freely and readily to all deserving applicants. This can happen only if the lenders can be assured of a reasonable return.

I would like to thank you, Mr. Chairman, for giving us the opportunity to express our views on this important legislation. I should like to thank you also, and all the members of your committee and your staff, for the continuing attention you have given and are giving to these matters. It is extremely heartening and heart-warming to those of us who spend our lives in the educational world, to find this kind of thoughtful consideration being brought to a problem by people who have so many other important questions demanding their attention. We are most grateful and say, most sincerely, thank you very much. If there are any questions, we will be glad to try to answer them.

Mr. SIMON. Thank you very much for your testimony, Mr. Meares.

The 2 percent administrative allowance you suggest: You are talking of that as an on-going 2 percent or a one time 1-year 2 percent?

Mr. MEARES. No, percent per annum. In other words, increase—I mean if you want to put it into one figure, one number, what I am saying really is change the 3-percent addition to the Treasury rate to 5 percent. I am surprised at my American Bankers Association friends were willing to accept the 3 percent addition. But, in my experience, dealing with lenders as I do all the time, and trying to encourage them to participate in this program, I find that the 3-percent allowance would not be sufficient.

The fact is, in the last quarter, or the rate today has been up to this moment 10 percent. This would drop it down to 8.5. We could not get lenders at 10 percent. This 3-percent addition would give us a gross yield rate today of 8.5. I don't believe that I can go out and encourage any lender to come into this program on an 8.5-percent return.

Mr. SIMON. Do you believe the primary reason that lenders are not more willing to get involved is the interest rate?

Mr. MEARES. I think it is the primary reason, yes. There are, of course, very important secondary reasons. I think that the administrative work entailed is a nuisance. These are loans that are hard to keep track of. They extend over a long period of time. However, I think, on the other side, that most lenders in the country recognize the importance of the social contribution that participation in programs of this sort represent and they want to be good citizens. But I think you have to offer them a reasonable chance to get a return and to compensate them.

At least if they had a chance to break even and I think that is all I am talking about is breaking even. They will never make money on these programs even with the 2-percent allowance I am talking about. I think they are losing money today.

Mr. SIMON. On the 1.5 percent administrative cost you suggest should be available to your organization as well as to other nonprofit organizations, what does that mean practically in terms of your budget? What will 1.5 percent do? How does it relate to your total budget?

Mr. MEARES. I think it will help overcome the deficiency that exists today in the 0.5 percent charge that we can make under the law; the maximum charge under the law to a student for our guarantee is one-half of 1 percent per annum. With the default rates even as low as they are in our organization, the growth, default rate running around 6 percent and our net default rate running somewhere between 4 and 4.5 percent, that is net after recoveries, the one-half of 1 percent fee does not provide sufficient funds to pay for those defaults.

Yet this is the concept, these fees were supposed to cover these. I think the 1.5 percent one-time fee from the Federal Government would help to sweeten the picture up a little bit.

Mr. **Simon**. What is your gross budget administrative costwise of your agency?

Mr. **Meares**. Of my organization?

Mr. **Simon**. Yes, your organization.

Mr. **Meares**. I have my comptroller, Tom Skinner. I will ask him.

Mr. **Skinner**. Operating expenses?

Mr. **Simon**. Yes.

Mr. **Skinner**. Roughly $1 million.

Mr. **Simon**. 1.5 percent—I will refer to your comptroller too. 1.5 percent would mean what in increment to your administrative roughly?

Mr. **Skinner**. It would be 1.5 percent of loans made in a year, roughly $250,000.

Mr. **Simon**. So it would be a substantial kind of improvement. Do you then—one final question—under the present law, I should know it and don't, are you able, you mentioned recommending use of collection agencies. Do you use them now?

Mr. **Skinner**. We do indeed.

Mr. **Simon**. What is your experience?

Mr. **Skinner**. Well, our experience is that we managed to keep a default rate—low default rate, and those people that don't use them, we don't have necessarily the lowest default rate compared to some of the States, but if you compare us to the Federal program, for example, our default rate gross is around 6 percent and we recover about close to a third of those amounts through the use of collection agencies.

We think, though, the fact that it is known that we use collection agencies and we tell defaulting students we are going to use a collection agency, in many cases prevents default.

Now, of course, a collection agency can be beaten by the bankruptcy route and we have also strong feelings about the fact that students should not be allowed the bankruptcy route as a way of discharging their student loan obligations.

Mr. **Simon**. Thank you.

Mr. **Quie**. Would you yield?

Mr. **Simon**. Yes.

Mr. **Quie**. Can we find out from Mr. Evans if the 7 percent was a net or a gross figure?

Mr. **Evans**. That is a gross figure definitely.

Mr. **Quie**. What is your net?

Mr. **Evans**. Well, in Pennsylvania ours nets out to around 2 percent.

Mr. **Quie**. You have that gross and 2 percent net or a different gross?

Mr. **Evans.** New Jersey is a little less than 2 percent.

Mr. **Quie.** Thank you.

Mr. **Meares.** Some of the States I would be the first to say have done an excellent job in this area. We happen to be the administrator for the State of Maine. They do an excellent job in Maine and have a low default rate and we happen to administer their program for them.

Mr. **Simon.** If I could refer this question again to Mr. Evans, this use of collection agencies, I note our next witness presumably will favor us representing the collection agencies. What is your reaction to this idea?

Mr. **Evans.** We have in Pennsylvania a system whereby we have employed 15 part-time people to work between the hours of 4:30 and 8:30 in the evening. After we expound on the telephone calls our computerized letter source to the student borrower, we come up with a hard account, what we call dead accounts. Those dead accounts then are turned over to collection agencies, but we do expound on the idea that we must educate rather than hardnose collection initially.

We educate the borrower on his obligation and if we can't get him educated, we go into the collection agency route.

Mr. **Simon.** Mr. Eshleman.

Mr. **Eshleman.** Mr. Meares, this is a homemade idea of mine, and maybe it can be shot full of holes. If we add to the legislation that any student who defaults on a loan that comes directly or indirectly from the national government, would from that point on be ineligible for any other type of Federal loans such as FHA mortgage, GI mortgage, SBA loans et cetera. Can you shoot any holes in that ?

Mr. **Meares.** I can't offhand but I have a lawyer sitting beside me and maybe he can.

Mr. **Eshleman.** Would that be an incentive? Maybe you can't pay the first year you are out of college but would that be an incentive to pay it off the second, or third, or fourth year when you can afford it?

Mr. **McCabe.** It is hard to say what affects different people as far as incentive to pay it. I would have to think about it.

Mr. **Eshleman.** The next question: Can your organization provide us with data on your average loan size? Do you have it now or could you submit it to us?

Mr. **Meares.** I could off the top of my head give you an average loan size at this particular point. At the undergraduate level, our average loan is running about $1,200 per student. That is per academic year. For a graduate student, it is around $1,600. There is a difference of about $400 between the two.

Mr. **Eshleman.** For an undergraduate, it would be $5,000 for his matriculation, about a $5,000 loan?

Mr. **Meares.** Yes. I think one of the things, of course, in using averages, is that, you know, if you say, well, the average loan is only $1,200, then the committee might from that take a good deal of comfort that $1,500, which is proposed in this legislation, is more than adequate, you see, to cover the average.

I think, I happen to come out of the life insurance business and I remember many years ago the chief actuary of the company I worked for in conversation with him one day I said something about, on the average it is so much. He said, Meares, you have to be very careful of averages. They can be very misleading. He said, for example, if you took 10 Vassar students and he said one of them is pregnant, you could say that they are over 10 percent pregnant on the average, but he said it is not a very meaningful thing, so it does not help the girl who is pregnant much to know that she is only 10 percent pregnant on the average, so it does not help the student much who wants to borrow $2,500 for his real college needs to be told, "Well, you are borrowing too much because the average is only $1,200 and you should borrow the average."

So, I think there is some danger in being led too much by averages.

Mr. **Eshleman**. Can you give us a picture of your nationwide effort? My question was general and not aimed at any individual student?

Mr. **Meares**. I see. I was wondering if you related it to the $1,500.

Mr. **Eshleman**. Would your organization or OE be better equipped to provide us with this? I would be interested in knowing the family income of your loans as compared to the family incomes of borrowers from Federal agencies for Federal loans—FISL loans?

Mr. **Meares**. I am not sure I have figures on Federal agencies but we have others.

Mr. **Eshleman**. What is the average income of yours?

Mr. **Meares**. You mean at the present time, of course?

Mr. **Eshleman**. Yes.

Mr. **Meares**. I don't mean historically that it would be of much value.

Mr. **Eshleman**. For the last year?

Mr. **Meares**. For the last year, well, this is not exactly a direct response, but it may be that your staff can get something out of these figures: 20 percent in this past year we made to people with incomes of less than $3,000, family incomes of less than $3,000; 16 percent with incomes between $3,000 and $6,000; 12 percent with incomes between $6,000 and $8,000; 6 percent with $8,000 to $9,000; 11.7 percent with $9,000 to $11,000; 18 percent with $11,000 to $15,000; and 14.7 percent with people with incomes of $15,000 and over.

In other words, about 85 percent of our loans today are qualifying for the interest subsidy under the Federal Government's needs test of $15 000 and 14.7 are beyond that point.

Mr. **Eshleman**. One more question. On page 9 of your statement, you make note that you do not participate in Federal reinsurance. Can you tell us why you don't?

Mr. **Meares**. I don't know that I can. This was a decision made by predecessors of mine. I have been associated with the united student aid funds only for about 16 months. The decision not to participate was made soon after the passage of the thing back in 1968 or somewhere around that time.

Mr. McCabe, who has been counsel to the organization almost since its inception, I believe, may be able to provide some clue on that.

Mr. McCABE. This was a management decision back in the middle sixties which had, I would say, perhaps reasons underpinning it at that time that may not be as valid now as they seemed to be then. Perhaps on reexamination, the current management of the united student aid funds might go a different route, but there were many currents and crosscurrents in the early months, the first year or two of the entry of the Federal Government into the guaranteed student loan program which brought this decision about lost in that degree of history now.

However, it is fair to add that there has not appeared to be a particular pressing reason any time since to face up to a decision again. It is simple to stay the way it is because the U.S. program continued to operate in good style in that position.

Mr. MEARES. I would like to say this, Mr. Eshleman, if the changes in the law and the regulations that we suggest with respect to repayments of colleges from defaulted students on reinsurance were made, if you only had to reimburse the Federal Government to the tune of 80 percent of what you collect net from the students, and thus would still encourage us to use college agencies, I would be strongly in favor of the united student aid funds reexamining its position on this.

I think there is a built-in deterrent to an agency like ours where we have been accustomed to using professional collection agencies and couldn't really afford to use collection agencies if we got into Federal insurance. I am not sure anybody has ever explained the mathematics of this to the committee.

But the way the thing works is this: A student today borrows $1,000. He defaults on the $1,000. The guarantor buys the defaulted loan from the lender. He now gets reimbursed to the tune of 80 percent or $800 from the Federal Government.

Supposing he turns—well, he is out of pocket at this point $200, which is his 20 percent share of the loss. He now turned it over to a collection agency. The collection agency, we will say, succeeds in getting the $1,000 from the student, but because it takes out its fee, only remits $650 to the guarantor say. The guarantor, however, has to give the Federal Government 80 percent of what the student paid, not what the guarantor collected, so the guarantor now owes the Federal Government $800 so, by its repayment effort, is out of pocket an additional $150.

It scarcely pays him to get into the use of collection agencies. So that with that in mind and, as an organization, where we feel that, as a moral matter, as a matter of community responsibility, and social responsibility, we should pursue students all that we can, we don't think that there should be encouragement given to people to beat this program in some way and I would hate to give up the use of collection agencies, not necessarily, not only because of what we would lose in that process, because I could go to get Federal insurance and do better than I do this way, but I do think, or we do feel that this is a social program for good social purposes and I don't think it is a good social purpose to not pursue students who are in debt and who have a legitimate obligation to pay off a debt.

But, if this were reexamined and the law and regulations were changed, I would certainly reexamine the question of Federal reinsurance.

Mr. SIMON. Mr. Quie.

Mr. QUIE. Thank you.

A little earlier, you said you were allowed to charge one-half of 1 percent. Through that you try to make up for the defaults. It sounded like the default is greater than what you collected.

I know how, if you had Federal reinsurance and you couldn't go through a collection agency, but it sounds to me like you are losing money now. How do you stay in business?

Mr. MEARES. We stay in business, Mr. Quie, because we have, or we operate through a reserve deposit system, where the people, or the institutions who participate with us, have made deposits with us and today we are the custodians of something over $20 million that has been put up with us to guarantee the loans that we have outstanding.

In other words, if an institution wants to have us make loans, or guarantee loans on its behalf, because we don't make loans, but if they want us to guarantee loans, a college can put up, say $10,000 with us, which we temporarily, for the duration of his contract, retain. And we have the investment earnings on this, which is our property, and the high interest rates that we had recently have been a lifesaver to this organization.

If we had low interest rates of say, 1946 and 1947, and the high default rates of 1975, we probably would go broke.

Mr. QUIE. You wouldn't have a high default rate, probably.

You say you are a guarantor and that is all?

Mr. MEARES. Well, I am an administrator for the States where we are not a guarantor.

Mr. QUIE. That is what I was interested in.

What kind of services to you provide as an administrator?

Mr. MEARES. Bob, I would like to call on my technician to answer.

Mr. SINNAEVE. We act as the administrator, as agent for State programs that contract with us and appoint us and give us authority to do all of their paperwork, so we perform all the guaranteeing functions that a guarantee agency should do by providing the papers such as where students who apply for loans, we provide the notes for them and computering support and we provide the assistance to the lending institutions and we perform the normal role that a guaranteeing agency would be required to perform under the law. We do this in the name of the State that we act as agent for.

Mr. QUIE. Do they pay you a fee on a monthly basis for doing it?

Mr. SINNAEVE. Yes. Actually, it is a quarterly basis rather than a monthly basis.

Mr. QUIE. Now, you mentioned, Mr. Meares, there were 1,000 universities and colleges and schools that have contracts. Are those administrative contracts with you as administrator, or as guarantor, or both?

Mr. SINNAEVE. The contracts with individual schools, the schools provide a deposit with the United Student Aid Funds, which we use as a basis to guarantee loans in commercial lending institutions. We guarantee the loans under our own authority, using the reserve fund that the school provides as the collateral, if you put it, or if you want to put it in that terminology.

Mr. QUID. You are only a guarantor?

Mr. SINNAEVE. We are only a guarantor of loans. We do not administer loan programs for educational institutions. We guarantee loans for students who attend educational institutions, but the loans are made by commercial lenders.

Mr. QUIE. You are dealing with 7,500 lending institutions. Are any of those direct, or are those by way of the 1,000 universities, colleges and schools and the cities?

Mr. SINNAEVE. Well, the 7,500 lending institutions are located in the States where we act as the agent or they might be located in the State where the school is also located, but there is no relationship between, or there is no direct relationship between the commercial lending institution and the educational institution and the united student aid funds. It is a three-party affair, four-party with the student.

Mr. MEARES. I might add, the 7,500 lending institutions sound somewhat contradictory, perhaps, to my earlier statement, that we find it hard to find lending institutions. The fact is, we do have more than 7,500 contracts with lending institutions, but I hasten to point out that a great many of those contracts have been inactive for a long time.

The lenders are not actually participating today in our program because of the reasons I have given earlier.

Mr. QUIE. But are there any lending institutions using you as a guarantor rather than the Federal Government?

Mr. MEARES. Yes, all of the ones who participate do use us as a guarantor.

Mr. QUIE. But is that true in the institutions?

Mr. MEARES. And we have some, I might add, of these others —

Mr. QUIE. Right now, lending institutions use FISL as their guarantor.

Mr. SINNAEVE. I see what you mean. There are some lending institutions that prefer not to participate in the FISL program and prefer to have the united student aid fund guarnatee.

Mr. QUIE. Why?

Mr. MEARES. We like to think we do things a bit quicker, and we have been told we do.

Mr. QUIE. There has to be some reason.

Mr. MEARES. We have been told we do. We have been told our service is prompter and get an answer quicker than they can out of O.E. and so on.

Mr. SINNAEVE. I think the servicing and the technical and staff support that we give the lending institutions through the various program that we have by computer or by our staff in assisting them to administer the loan in the bank is noticeable, and they appreciate it and see the difference between our program and the Federal program.

Mr. **Quie**. The lending institutions do not like defaults, and if any guarantor can make certain that their default rate is lower, they are pretty likely to prefer that kind of guarantor?

Mr. **Sinnaeve**. Yes, and this has been expressed to us. Yes.

Mr. **Quie**. And do you think there is another way, other than the use of collection agencies, to improve that default rate of FISL? What if it were under Treasury instead of under HEW?

Mr. McCabe has been in the Federal Government. I will defer to you on that.

Mr. **Meares**. I have had very little experience with the Treasury Department. I can't say.

It does seem to me that, well, I am not saying that you couldn't develop, within the Federal Government, or within some bureau in the Federal Government, the expertise necessary to become a collecting arm of that bureau and do as good a job, do a good job. But I think it is unlikely that it will happen.

I think that people whose living depends on this—bear in mind collection agencies only get paid for collections they make, but not for the futile efforts they put forward. I think that that kind of incentive may well be needed to insure that the best possible collection job is done.

I have no stock in any collection agency, and I am not really carrying the torch for them today, but I do believe that people who are paid for doing something have a greater incentive for doing it than those who are going to get paid anyway.

Mr. **McCabe**. I agree with that and add a thought for possible clarification here, Mr. Quie; that, what Mr. Meares' testimony is suggesting is not the use of a collection agency being required, but rather that it not be prohibited, which, for the various reasons cited, is a practical case today.

Mr. **Quie**. Well, I know there is incentive for someone being paid for something, but Federal employees, if they did the collection, might pocket the collection, and the individual is still in default.

Since I won't be here when the people from the collection agency finish their testimony, I would like to put forth a question that I would like them to answer. How do you take care of that problem within the collection agencies?

I know there is an interest among you for that.

Let me ask another question.

I know you talked about NDSL before, and it was not part of your testimony. You advocated, as have others, that the educational institutions not be lenders. Do you think they ought not be lenders under NDSL?

Mr. **Meares**. I really have not testified here, I guess, that educational institutions should not be lenders. I think, I, frankly, straddled that question a little bit. I say strongly in my statement that I heartily believe the best lenders are commercial lenders. But it does not necessarily mean that a good job cannot be done.

I think a good job has been done in some cases by some institutions. You spoke earlier, I believe, of the University of Minnesota.

I am not familiar with it. I am quite ready to believe that where it is under good management and direction and efficiently run, sure, people could learn to be good lenders, even though it is not their primary business.

I am not saying that the only lenders that could possibly operate are in the commercial lending business, but all I am saying is, by and large, that overwhelmingly, in general, commercial lenders are the best lenders. This is their business. They know how to do it.

Mr. QUIE. The University of Minnesota may have to turn the responsibility over to the State agency lenders.

You recommended that the inschool subsidy be removed, and I am not in total agreement with you on that. My last question is, do you think that the student ought to pay interest while in school, or do you think they ought to be able to defer the interest so it becomes a part of the principal, instead of paying interest on the principal and the accrued interest after they leave school?

Mr. MEARES. I would be very strongly in favor, Mr. Quie, of the student paying the interest as he goes along.

One of my principal reasons for saying that is that, the more frequent the contact with the borrower, the more chance there is of eventual full repayment. The less the contact, the less frequently it is paid, and the more chance there is of default.

I think that one of the problems that has plagued this program is that 85 percent of our borrowers are not paying interest during the school period and, in consequence, I think, many of them, despite the papers they sign, which I am sure they didn't read, in most cases, are somewhat unaware of the fact that they made a loan.

I think that the payment of interest 3 months after you made the loan, if you have a quarterly bill of interest for something from your lending institution, it certainly alerts the fellow here and now to the fact he is a borrower and not a beneficiary of some largess.

Mr. QUIE. I commend you on that. This is the first loan for most of the individuals. They can gain that experience of beginning to pay because they are responsible, and, therefore, the default rate would be down.

Thank you, Mr. Chairman.

Mr. SIMON. Thank you very much for your testimony. We appreciate your being here.

Mr. SIMON. Mr. Rose, if you can identify yourself, and if I may suggest, since Mr. Quie will not be here for all of your testimony—and unfortunately, I am under some time constraints here, too—if you could, before you begin your general testimony, respond to his specific questions before you start.

STATEMENT OF LEONARD G. ROSE, CHAIRMAN, NATIONAL LEGISLATIVE COUNCIL, AMERICAN COLLECTORS ASSOCIATION, INC., MINNEAPOLIS, MINN.

Mr. ROSE. I will be glad to, Congressman.

First, I would like to introduce Mr. William Bergman, American Collectors Association representative here in Washington, D.C.

In answer to your question, Congressman, as to what restraints can be established to prevent that type of happening, part of our written testimony that was submitted was on, "How to Choose a Collector," written by John Johnson, our executive vice president of the American Collectors Association, in conjunction with myself in assisting the regional office, the Office of Education in Chicago, in how to determine the wise choice in a collection service.

Fiscal and moral integrity can be documented and be followed specifically to prevent that type of occurrence, very definitely.

Mr. QUIE. It could?

Mr. ROSE. I believe so, firmly.

Mr. QUIE. That documentation indicates how it can be done?

Mr. ROSE. Yes, sir. A checklist on financial stability and competence, to the type of services they provide, we urge that anyone choosing an agency look at it as anyone else handling your fiscal ares, such as a banker or certified public accountant, because they are handling money.

Mr. QUIE. You have not had a 100-percent record in that as collectors for all agencies of the country. What kind of a system do you have for throwing an agency out of your association, or the collectors within the agency out, if they don't meet those high standards?

Mr. ROSE. We do have provisions to remove them from membership and, in turn, report them to the proper authority, so it can be followed up under the licensing acts, which number, now, approximately 30 of the States, which have specific licensing acts in the collection industry. And we, in turn, would report that to the proper authorities.

I believe, firmly, though, our track record in financial failures is no greater, no less, no more than any other industry. Great individuals have been made in that direction through education, through higher requirements for membership in our association.

Mr. QUIE. When I talked to Mr. Johnson, what struck me was the fact that people were moved out. You don't find that among attorneys or doctors the way you expect it to be done in the local bar association. From what I saw of his testimony, the effort of policing one's own members, especially in State licensing, indicates that good licensing is really an exception here.

Mr. SIMON. Before you get into your statment—I am sorry to interrupt your testimony—if I may refer the same question to Mr. Evans, have you had difficulty along that line in your experience with collection funds with someone, say, that is collecting student funds and find out they are pocketing them?

Mr. EVANS. It may be good you asked that. We are fully automated in Pennsylvania, and we have a system set up whereby the funds, any funds that come in, come into a separate box in the post office, and they are bounced against the receipts of the student borrower. They are separated by two separate individuals, and at the end of the day, they must balance, so we have a day-to-day check on repeater funds.

We, as a collector, and we know—well, each year, we send back to the student borrower the exact amount he has paid us, and we account, reconcile with him on an annual basis, and I can assure you there is no problem.

Mr. SIMON. You mentioned at the end of the process you use a collection agency, and I am interested in that end of the process, have you had problems with collection agencies—of their not turning in moneys?

Mr. EVANS. We have not had the problem at all, because they are anxious to get this money back to us so that they get their fee. They don't get paid their fee until they get the money back to us, so they are trying to work their accounts constantly.

We have a clause in our agreement with the collection agencies that they have within a certain amount of time to work the account, and at the end of that period of time, the account must come back to us so that we know there was action taken on us, if funds were collected and so forth. We follow that up again with the student borrower for collection on our behalf to see if any work was done or not done on that account.

Mr. SIMON. Thank you.

Mr. ROSE. The criteria in that direction could be set up in strictly a pure trust account, gross remit to the government, such as the gentleman just indicated, that, then, there is no funds payable to them until they produce and deliver.

Mr. QUIE. Operating a computer information service, you have to be careful that they are 100 percent accurate. One only has to look at the Durham gang's operation in New York, where they used the computers to rake off, what was it, $2 million?

Mr. ROSE. In the interest of time, Congressman, we have submitted written testimony, and I would like to make a few brief verbal remarks.

Mr. SIMON. Fine.

Mr. ROSE. My name is Leonard Rose, and I am presenting this statement on behalf of the American Collectors Association and in my capacity as chairman of the National Legislative Council and also in my own business capacity as president of National Accounts Systems, 53 West Jackson, Chicago.

The American Collectors Association based in Minneapolis, Minn., is an international organization of more than 2,500 independently owned bill collection service organizations, serving more than 11,000 communities throughout the United States, Canada, and a growing number of foreign countries.

Our members provide delinquent account collection service and other related credit and collection functions for thousands of professional retail and wholesale credit grantors.

Its members, in 1974, recovered $846,146,000 for banks, medical, and dental practitioners, hospitals, utilities, airlines, oil companies, and retail establishments of all sizes.

A large number of our members also perform credit and collection services for hundreds of colleges and universities throughout the United States in the collection of their delinquent student loans and related bad debts.

As one of 2,500 professional collection companies in the collection industry, we have already collected thousands of accounts for universities and colleges.

Experience has allowed us to develop our capabilities and we offer to share our expertise in this area of growing concern and that of a rising large, rapid rising, number of defaulted student loans.

Current government regulations do not permit my vast collection services to put their professional skills to work for the guaranteed student loan program. The American Collectors Association is offering an alternative to this ineffective procedure by suggesting amendment to the Higher Education Act which would allow the Commissioner of Education to contract with private collection services to collect defaulted student loans.

We believe that students should bear a part of their college costs, whether they work while attending college or accept the responsibility of receiving a loan under the GSL, and then repaying that loan after graduation.

This, in our estimation, is excellent financial training in the handling of one's personal financial affairs and this brings about a better ultimate understanding of the American credit system.

We are not suggesting that the government only use private collection services, but that they utilize them to the degree needed to reduce these losses.

If private services were allowed to collect defaulted loans under this program, collection services would submit bids such as many ACA members now do with hundreds of universities and colleges, giving the government the freedom to accept or reject their offers.

It would simply give the Commissioner of Education just another resource to use to collect on these defaulted student loans.

The American Collectors Association feels that the private collectors would have distinct advantages and be more successful in their collection efforts than the Federal Government for the following reasons:

Private collectors do not cost the taxpayer for staffing their offices or funding collection efforts. In most cases there is no charge unless collection is actually made. Private collectors do not have to be organized by acts of Congress or continually making requests for budget funding as does the government.

The vital collection service is self-motivated by the profit incentive, that is its entire business.

One of the largest single reasons for nonpayment is what we term "skips," those individuals not living at the address furnished originally to the university. This is a high skilled area of collection procedure expertise which our association basically offers at no cost since our members operate on a no-collection, no-charge contingent arrangement. The private collection services, representing a cross section of the American credit industry, has built in skip information from other credit grantors.

The private collector is already in business and may be called upon immediately with 2,500 members employing approximately 23,000 people skilled in one thing alone—and that is the collection of delinquent accounts.

The American Collection Association has sponsored and taught more than 500 schools over the past 7 years alone, schools such as telephone collection techniques, skip tracing, and management. More than 10,000 members and their employees have attended these professional training courses in that 7 years.

Also, the private collection service is already successfully used by the government on other levels, county, municipal, and State, as well as institutions of higher learning.

In summarizing I would like to say that the American Collectors Association believes in, and supports the concept of the government's student loan program.

Two, the collection of delinquent accounts is the daily business of ACA members and they know how to collect delinquent accounts and have worked with hundreds of universities in this area.

The ACA believes, with over $200 million outstanding and more than 2,000 defaulted student loans, the Commission of Education must have all collection tools at his disposal. He should be able to consider alternatives to the current measure of collection of those defaults. ACA suggests that one course of action is to amend the Higher Education Act to allow the Commissioner of Education to contract with private collection services to get to do this job.

Thank you, Congressman Simon.

Mr. SIMON. Thank you very much, Mr. Rose.

What do you say in response, and I don't mean to be disrespectful to your profession here when I say this, but I think there is the impression on the part of a lot of people that collection agencies are strong-arm people who will go to any lengths to get their dollar because they think, you know, you are dependent on that money being collected?

What is your response to that?

Mr. ROSE. My response, first of all, Congressman Simon, granted we are not a glamour industry, the image of a bill collector from over the years, 50 years ago, with the old fire and engine trucks and red cars and this type of thing, which is passe, the heavy-handed elements, our industry would not last long in practically every community across the country if our association would allow or condone that type of activity today.

Part of our schooling and educating of our members is along the psychological handling of individuals and, as I say, we are not a glamour industry and yet we fill and fulfill a vital need in today's consumer credit field.

Mr. SIMON. How many States work with the agencies?

Mr. Evans, does Pennsylvania work with them? Do you know how many States do this?

Mr. EVANS. I do not know. I don't believe there are too many of our State guarantee agencies that use collectors.

Mr. SIMON. In New Jersey you do not, and Illinois you do not, and in Massachusetts you do.

One of the things the staff might do, by way of background, would be to make a survey of States just to see what is happening and what the experience is.

Chris, I understand you would like to ask questions.

Incidentally, we are in a somewhat unusual situation here and we are stuck with only one member of the committee being here, but I want to assure you we have the members of the staff here who will be reporting back.

Mr. **Cross.** Thank you. Mr. Simon.

It seems to me that collecting a student loan is a lot different than collecting other types of loans. I suspect most of your business would come from collecting on some tangibles where there is something you can actually attempt to repossess or get a handle on. How do you differ in the way you go about collecting a student loan? Also, please give us an example of how you go about collecting, say, in worst possible cases.

Mr. **Rose.** I would like to clarify one item first, sir. That is, I don't believe that our experience is purely in the areas of tangibles or repossessible items. Our industry represents very heavily hospitals, for example, these services that were long past performed and the reaction of sympathy and concern for that is on a diminishing scale the longer it is delinquent.

I don't believe there is a whole lot of difference between handling a hospital account, a credit card from a retail department store, or student loan; it is still basically an obligation morally and legally.

Briefly, how to best describe the approach would be a letter identifying our position with that claim that we are new entering the picture with a third party and I think there is a psychological impact there. After many months of receiving no payment, merely by our appearance we get the psychological impact of it and that itself generates a certain percentage of payments.

After the contact by letter to identify our position, then a telehone contact would follow that. Further telephone calls until it comes to a conclusion.

I think that one of the biggest factors in our industry also, that we have developed over the past 5 or 10 years is concern for the public relations factors of the credit grantors themselves, that if it is a situation of hardship or illness or in any act of God that it is our responsibility and our membership's responsibility to bring that to the attention of the credit grantor and close it out immediately as uncollectible rather than pursuing it.

I think the safeguard there is that economically it is beneficial to our member to do that, because following an uncollectible account is just economically not feasible.

Mr. **Cross.** You mentioned that you get pretty good responses just from a letter. I suspect in most cases you are given an explanation as to why a loan is not paid. In your experience with student loans, what are the most common reasons you hear that people go into default?

Mr. **Rose.** I think the biggest reason why, say the universities are referring to our membership, is that they do not know where the student is and that our members are representing, say, a florist, a department store, and an oil company in that area and he has little bits of information from each credit grantor that makes it possible to locate the individual and then ask for the money.

Undoubtedly unemployment has had a bearing, but I really believe it is an overinflated issue.

Mr. **Cross.** Let me state it more precisely. Do you find in some cases the student is not really aware there is an obligation or the magnitude of the obligation?

Mr. **Rose**. We find most times they are certainly well aware of the obligation and the magnitude, but they are putting it off until the last possible minute.

Mr. **Simon**. If I may interrupt, if you could just describe Tom Smith as a student, he is in default, he has the Pennsylvania Commission that has turned Tom Smith's account over to you, and he owes $3,000. What do you do from there?

Mr. **Rose**. The first thing we do is establish our records, document it into our system, not only by debtor, alphabetical, but also by, let's say, the University of Pennsylvania by creditor. Then, in turn, if we establish that it is a good address, it is furnished to us as a good address, the first letter would be directed probably within 24 hours asking for payment in full, asking for probably more than we actually anticipate getting. Asking for the balance in full, and if this is not possible, contact our office within 7 days or within 10 days, and then it is followed up in a week or 10 days by a telephone effort to attempt to discuss the matter and see why our first initial contact was ignored and then to try to determine why it has not been paid and how it can be paid.

Mr. **Cross**. When you say "pay in full," do you attempt to get payment for the borrowed amount, say, $1,500 accrued interest?

Mr. **Rose**. Well, whatever would be the amount owing.

Mr. **Cross**. At that point, once a student goes into default he is eligible or liable for the full amount rather than the missed payment only?

Mr. **Rose**. We would ask for the full amount.

Mr. **Cross**. Do you often have someone who will come up with $100 now, and he goes into default again?

Mr. **Rose**. That is quite frequent and we attempt to work out a payment arrangement if he can't pay. Say on a balance of $300 we will attempt to get $50 and in conjunction with his pay days—$10. I think that is a matter of being reasonable.

I think one statistic that backs it up is that our average payment industrywide is somewhere around $35 which does not indicate that we are going out and hitting people over the head for a $300 bill.

Mr. **Cross**. There has been a lot of controversy about bankruptcies and a lot of attention paid to the fact that is a very severe problem recently. Do you find instances of you going to a student, say, that owes $3,000-plus and the student at that point decides he is going to declare bankruptcy?

Mr. **Rose**. There is a definite pattern in that direction as far as an increase is concerned. We have been watching as an association the bankruptcy figures very closely. Now that it is in the 21,000 bankruptcies filed per month area, we have to be concerned about that, because they have avoided us. With no income and no collection, we go bankrupt.

Mr. **Cross**. I suspect that psychologically there is a concern for the image of the Federal Government created by turning loans over to a collection agency. There have been a number of ideas and suggestions that IRS be used for collection. I am curious as to your reaction to that?

Mr. Rose. I would feel it would take a heavy beefing up of staff. In the outside private sector we have the staff built in, as I mentioned, with 23,000 people in one thing, collection of delinquent accounts, and they have no other business.

Mr. Cross. Thank you, Mr. Simon.

Mr. Simon. This would be a first-time thing for the Federal Government to turn a national program over, a collection program over to an outside private party. Do you have any reaction as to how public-relationship-wise even the Government could handle something like that?

Mr. Rose. Well, I would feel, first of all, I would like to stress in my comments and in our recommendation we are only suggesting this be an alternate route, for example, in Pennsylvania, they have the softcore approach and then the hardcore individuals they refer as a matter of last resort.

I do not feel that is detrimental to the Federal Government as far as public relations is concerned because they are asking people to do what they promised to do in the first place and that is pay the bill.

Mr. Simon. If I may refer to Mr. Evans, but have you had any adverse reaction to turning these hardcore cases over to collection agencies?

Mr. Evans. No, we have not. We have definitely not had adverse reaction from our State legislature or anybody directly to this date.

Mr. Simon. Now, let me get back to Tom Smith again. He owes $3,000, or whatever the figure was I used and I am not sure, but you write to him and he is supposed to come in but frequently you do not hear from Tom Smith I assume.

Mr. Rose. That is correct.

Mr. Simon. What do you do then?

Mr. Rose. Continue to pursue with intermittent collection calls and letters and attempt to find him as a matter of last resort.

If we do locate the individual, he is employed and he has a regular steady income and we do know where he is living, go back to the credit grantor and recommend they refer the matter to counsel for litigation as a matter of last resort. Now we, we are late collectors, but referring it to the credit grantor's legal department.

Mr. Simon. If that happens, do you get a fee out of it at that point.

Mr. Rose. It depends on the arrangement with the customer. It could be developed also as a supplement to this program, the using of skip-tracing service only, a flat-charge basis, and then returned for Federal prosecution or pursuit.

Mr. Simon. Well, we appreciate your testimony and for coming here and we thank you very, very much.

[The statement and attachment follow.]

STATEMENT OF LEONARD G. ROSE, CHAIRMAN, NATIONAL LEGISLATIVE COUNCIL, AMERICAN COLLECTORS ASSOCIATION, INC., MINNEAPOLIS, MINNESOTA

My name is Leonard G. Rose. I am presenting this statement on behalf of the American Collectors Association (ACA) in my capacity as chairman of the National Legislative Council. The American Collectors Association based in

Minneapolis, Minnesota, is an international voluntary organization of more than 2,500 independently-owned bill collection services serving more than 11,000 communities throughout the United States, Canada, and a growing number of foreign countries. These members provide accounts receivable collection and other related credit and collection services for approximately 500,000 professional, retail and wholesale credit grantors. Clients include large corporations, banks, medical and dental practitioners, hospitals, utilities, airlines, oil companies and retail establishments of all sizes.

Members also provide credit and collection services for many local, state and national government agencies.

The American Collectors Association was organized in 1939 when a group of collectors in the western states realized that together their agencies could achieve greater success and good-will than any one could alone. The goal is to help members work together to improve their image and to provide increasingly better service to their credit-grantor clients and to the debtor.

The Association has adopted a Code of Ethics to which all members subscribe and has promulgated Rules & Regulations under which all member collection services have to abide. A copy of the Code of Ethics is attached as Exhibit A. In order to become a member of the Association a collection service must meet high and rigid standards. Once a membership is attained, a member must then maintain ethical conduct and is expected to maintain those high and rigid standards as well as to strive for greater excellence in his business operations. The ACA Rules & Regulations under which members operate is attached as Exhibit B.

The American Collectors Association serves credit grantors throughout the 50 states and a number of foreign countries. Approximately 20,000 people work for bill collection services among the membership of ACA.

Members of the American Collectors Association are experienced in handling all types of accounts, including government accounts for state governments, cities, municipalities, counties and other jurisdictions. A number of ACA members also perform credit and collection services for innumerable colleges and universities throughout the United States. They are organized to refer these accounts to ACA members throughout the United States and other countries.

Mr. Chairman, with the Congress giving consideration to the revision or enactment of the Higher Education Act due to expire June 30, 1975, the American Collectors Association is pleased to have the opportunity to address you and members of your committee. We are particularly concerned about the Guaranteed Student Loan Program (GSL) under that act, and the current and dramatic growth problem the federal government is having in the collection of defaulted loans granted under that program.

In my own business capacity I am president of the National Accounts System, 53 West Jackson Boulevard, Chicago, Illinois 60604.

As one of 2,500 professionals in the collection industry who has already collected thousands of accounts for universities and colleges, I feel we know how to collect delinquent student loans. We have developed our capabilities and want to share our expertise in this area of growing concern—that of a rapidly rising number of defaulted student loans. We, as professional collectors, have the experience and capability to successfully collect on these defaults, thereby helping the Guaranteed Student Loan Program remain viable and showing the American people that the program can function efficiently without a continuing great loss of the taxpayers' money in paying for these defaulted loans.

However, current government regulations do not permit private collection services to put their professional skills to work for the Guaranteed Student Loan Program.

Mr. Chairman and Members of the Subcommittee, I would ask that you look at the track record of the professional collector in recovering delinquent accounts receivable and allow us to assist the federal government in the recovery of defaulted student loans. My statement will show how we propose to do this.

BELIEF IN THE STUDENT LOAN PROGRAM

The American Collectors Association believes that loans should be made available to students, especially as both college and general living costs are rising rapidly. We feel that both lower-income and middle-income families are experiencing difficulties in meeting costs and firmly believe that the need for a student loan program exists. Because of our commitment to the Student Loan Program, we would be most alarmed by anything that could jeopardize the continuation and financial liability of this program. And we view the growing default problem with real concern.

We also believe that students should bear a part of their college costs, whether they work while attending college or accept the responsibility of receiving a loan under the GSL and repaying that loan after graduation. This, in our estimation, is excellent financial training in the handling of one's personal financial affairs and this brings about a better understanding of the American credit system.

THE PROBLEM

According to statistics we have received, more than 230,000 loans are in default under the Guaranteed Student Loan Program (Title IV, Higher Education Act) since the inception of that program ten years ago.

Approximately $241 million in defaulted loans were paid by the government under the Federal Re-Insurance and Federal Insured Loan Program during the ten years of the Student Loan Program through November, 1974. This figure includes $150 million under the Federal Insured Loan Program and $91 million under the Re-Insurance Program.

During the period through December 1974, approximately $19 million were collected by the Office of Education on loans that were in default. On the other side of the coin under the same program for the same period, over $200 million went uncollected. This is a liquidation per cent of under 9% (dollars collected to dollars receivable), which could be improved four to five times by utilizing the private sector.

The Office of Education which administers the Guaranteed Student Loan Program has indicated that 92% of those uncollected millions were due to defaults by student borrowers while 8% were due to bankruptcies, death or disabilities.

Effective administration of this program depends upon constant replenishment of the student loan fund by repayment of existing loans. It then would follow that the program is financially in danger with the rising number of defaults, both in number of students defaulting and the dollar volume that number reflects. The psychological spin-off to the general public when they read the headlines about the rapidly rising number of defaults is negative. The drain of funds and the negative public reaction due to student defaults could seriously imperil the entire Student Loan Program.

By its own acknowledgment the Office of Education which administers the Student Loan Program has had limited success in the collection of defaults, for it is currently powerless to seek the private professional assistance which could help it cope with this problem.

It is to change this situation that I am here today.

A PROPOSAL BY THE AMERICAN COLLECTORS ASSOCIATION

The American Collectors Association offers an alternative to this problem by suggesting an amendment to the Higher Education Act which would allow the Commissioner of Education to contract with private collection services to collect defaulted student loans.

By amending the Higher Education Act to allow this, Congress would provide for effective collection activity from the private sector of approximately $150 million currently in default under the direct Guaranteed Student Loan Program. This effective collection activity would assist the process of eliminating student default abuses. (A sample amendment is attached to this statement as Exhibit C.)

HOW DOES THE FEDERAL GOVERNMENT COLLECT?

Contained in the blue-covered ACA proposal submitted to this committee is a section on the federal government's approach to collection. It is not my intention to go over that same ground, but it is important to understand the federal government's approach so that the proposal of the American Collectors Association can be compared with what is now being done.

It is of interest to note that in 1972 the Office of Education produced a comprehensive "Manual for Lenders" which was to assist all lenders operating under the Guaranteed Student Loan Program. In that publication, however, only three points were included regarding collections:

(1) The lender is informed to use practices "no less extensive and forceful than those generally used by financial institutions, exploring all avenues of collection . . . (such as letters, phone calls, personal calls, personal contact);"

(2) When an account becomes overdue, the lender is told to notify the Office of Education for "preclaim assistance."

(3) The lender is told that timeliness is important and that the student should be notified within seven days of missing a payment.

Instructions such as these are minimal and basically inadequate in comparison with the professional collectors' training concept.

In effect, it instructs them to conduct the full activities on which our entire industry is founded . . . but it gives them no direction or advice on how they should do so. Under the circumstances the lack of effective results can come as no surprise. The manual's small attention to the collection effort may indicate the importance that the government gives to the repayment of student loans; however, it does not at all reflect the amount of effort and professional training which should go into a collection effort.

The ACA has sponsored and taught more than 500 schools over the past seven years. Schools in the use of the telephone such as basic and advanced telephone, skiptracing, management and professional liability are only some of the 15 different kinds of schools held each year. More than 10,000 ACA members and their employees have attended these schools during the past seven years. This is but one part of the professional training available to ACA members and their employees.

This negative evaluation of the current student loan program effort is not ours alone: As far back as September 30, 1971, the Comptroller General of the U.S. advised the President of the Senate and the Speaker of the House of Representatives that the Office of Education should improve collection procedures to recover defaulted loans under the Guaranteed Student Loan Program. The Comptroller General at the time found the entire collection process by the Office of Education to be *totally inadequate.* At that time $1 billion in loans had been granted to one million individuals and some 21,000 loans were in default. By November 1974 those figures had risen to: $7.9 billion in loans to 7.6 million individuals and 223,000 loans were in default.

It is our understanding that new and revised rules to improve management of the GSL Program were indeed proposed by the Office of Education in October 1974—*three years after the Comptroller General advised that collection procedures were inadequate and should be improved.*

The Office of Education also employed more collectors, and there are indications that collections did improve during the last six months of 1974, but still insufficient when compared to the potential recovery by outside services such as ACA member offices.

WHY DOESN'T THE OFFICE OF EDUCATION USE PRIVATE COLLECTION SERVICES NOW?

This matter is also covered in the blue-covered proposal but should also be mentioned in this written testimony. The Commissioner of Education has no authority to contract with private collection services at this time. Under the Federal Claims Collection Act of 1966, the Attorney General and Comptroller General have issued standards which preclude the use of private collection agencies in general and particularly when applied to the collection of student defaults.

The general counsel of the Department of Health, Education & Welfare stated in a letter to the chairman of the Committee on Judiciary, House of Representatives, October 18, 1973, that: "The Commissioner of Education, who is the agency head responsible for the administration of the Guaranteed Student Loan Program, is authorized to delegate functions only to officers and employees of the Office of Education . . . it would therefore not be possible to make arrangements with private collection agencies under which the latter would enjoy the degree of independent decision making in the collection of loans that they could in the private sector."

PROPOSAL OF THE AMERICAN COLLECTORS ASSOCIATION

The American Collectors Association views the problem of student loan defaults as a very serious one and suggests that the Commissioner of Education be allowed to exercise his own discretion and contract private collection services. As stated before, the ACA urges Congress to amend the Higher Education Act to clearly enable the Commissioner of Education to contract private collection agencies and thus escape the predicament of student defaults.

Before summarizing my statements today, I would like to share with members of this subcommittee the way a private collection service operates, particularly as it would relate to the collection of defaulted student loans.

In my own business experience as president of the National Account Systems, I have had 22 years experience in the collection of all types of delinquent accounts receivable. That includes working with more than 200 universities and colleges in the collection of student loans other than those under the Guaranteed Student Loan Program. It is from this experience that I share the following with you.

One of the largest single reasons for non-payment is what we term "skips"—those individuals not living at the address originally furnished to the university. This is a highly skilled area of collection procedure expertise which our Association offers at no cost, since the vast majority of our members operate on a contingent-no collection-no charge basis. The private collection service representing a cross section of America's credit industry has built-in skip information from other credit grantors. This pooling of data is of great assistance in locating the "unlocatables." This could result in a substantial amount of *found* dollars.

Another factor of an outside service is the psychological advantage of a third party involvement, somewhat like the middleman who can listen to a gripe objectively but still ask for the money. Still another benefit is our vast coverage of member offices in practically every community throughout the U.S.A.

If private collection services were allowed to collect defaulted loans under this program, collection services would submit bids such as many ACA members now do with hundreds of universities and colleges, giving the government the freedom to accept or reject their offers. We are not suggesting that the government only use private collection services, but that they utilize them to the degree needed to reduce these rapidly climbing losses. It would give the Commissioner of Education another tool to use to collect defaulted student loans.

All major creditors who use outside collection services use their own facilities first, but a law of diminishing returns sets in where further effort by them is not economically feasible. Members of the Subcommittee, we believe the government should have the same privileges that private credit grantors have used to their benefit for decades—top professional assistance in collecting bad debts. *This is what we are advocating for the federal government.*

REASONS WHY PRIVATE COLLECTIONS WOULD BE MORE SUCCESSFUL

The use of private collection services in student loan programs might well be the single most important step that could be taken in the effort to reduce defaults. The use of professional collection services can help prevent any easy-going, nobody-really-cares atmosphere from developing among the borrowers; the use of such services is an effective deterrent to potential defaulters as well as an obstacle to the success of actual defaulters.

The American Collectors Association feels that private collectors would have distinct advantages and be more successful in their collection efforts than the federal government for the following reasons:

1. Private collectors do not cost the taxpayers for staffing their offices or funding collection efforts; in most cases there is no charge unless collection is actually made.

2. Private collectors do not have to be organized by acts of Congress or continually request more budget funding as does the government. It does not create a new bureaucracy whose growth and cost are independent of its effectiveness, the private service is judged by its results and may be retained or replaced according to those results. This is seldom the case of government offices.

3. The private collection service is self-motivated by the profit incentive to keep accurate records and to do a thorough professional job. That's its entire business.

4. The private collector is already in business and may be called upon immediately. Members of the ACA may refer accounts to any of the more than 2,500 bonded member agencies around the U.S.A.

5. The private collection service HAS AN ESTABLISHED TRACK RECORD. The public, including the student-debtor, knows that the private collector's job is to collect debts when they are not paid. The public and the student-borrower has an entirely different image of government.

6. The private collection service is already used by government on many levels: county, municipal and state, as well as institutions of higher learning.

SUMMARY

1. The American Collectors Association believes in and supports the concept of the Government Student Loan Program.

2. The collection of delinquent accounts is the *daily business* of ACA's more than 2,500 members. They know how to collect delinquent accounts and have worked with innumerable universities and colleges in recovering delinquent accounts.

3. The ACA believes that with over $200 million outstanding in more than 230,000 defaulted student loans, the Commission of Education must have all collection tools at his disposal. He should be able to consider alternatives to the current method of collection of the defaults. The American Collectors Association suggests that one course of action is to amend the Higher Education Act to allow the Commissioner of Education to contract with private collection services to do this job.

Thank you Mr. Chairman and Members of this Subcommittee.

Exhibit A

CODE OF ETHICS AND OPERATIONS OF AMERICAN COLLECTORS ASSOCIATION, INC.

CODE OF ETHICS

Resolved, by the American Collectors Association, Inc., that the following Code of Ethics be and the same is hereby made a part of the Bylaws of this Association, and the same shall be binding upon the members of this Association in the conduct of their business, the officers of the Association and the Grievance Committee for the purpose of determining the rights and responsibilities of the members of this Association.

The Grievance Committee shall have full power in case of complaint against a member of this Association for violation of the principles of equity wherein this code specifically is silent.

Any member of the American Collectors Association, Inc., who shall be found guilty on a charge of violating the Code of Ethics, in the judgment of the Grievance Committee, shall, within the judgment and discretion of said committee or a majority thereof, be expelled, suspended or reprimanded as may seem just to the committee.

Any member who shall have been disciplined by the Grievance Committee, as herein provided, shall have the right of appeal to the Board of Directors. Such appeal shall be heard at the next meeting of the Board, and a majority vote of the members present at such meeting shall be conclusive and final.

By this code of ethics, each member of this association is firmly bound, in that each member shall:

1. Maintain a high standard of business principles and never be guilty of conduct which will bring reproach upon this Association.

2. Abide by the Association's Bylaws, Rules and Regulations, Code of Operations, and such other policies as may be adopted by the Board of Directors.

3. Not have been engaged or be engaged in any activities supporting or aiding any organization that advocates the overthrow of the constitutionally established government of his country.

4. Comply with all city, county, state and federal laws relating to the ownership and operation of a collection business and provision of collection services.

5. Do business under a designation or business name or identification that does not mislead creditors, consumers, or the general public into believing that it is some other type of business than it is.

6. Operate under a name and in a manner which does not imply that such agency is a branch of or associated with any department of the federal government or of any state or municipal government, and refrain from using any seal, insignia, envelope or other device which simulates that of any government department or agency.

7. Insure that all personnel are familiar with the laws under which the collection business is conducted, the Rules and Regulations, Code of Ethics and Code of Operations of this Association, and that they fully respond to and comply with them.

8. Delegate assigned tasks only to qualified personnel.

9. Never knowingly misrepresent an institution or organization with which he is affiliated, nor knowingly represent that he is affiliated with institutions or organizations when such affiliation does not exist.

10. Take adequate precautions to distinguish between his professional views and association or organizational views.

11. Not discriminate on grounds of race, color, creed, sex or national origin in the selection of creditors whom he represents, in the selection of staff employees, or in dealings with consumers.

12. Never interfere on the basis of race, color, creed, sex or national origin with the opportunity of colleagues and competitors to become members of and participate in the affairs of this Association.

13. Maintain a sufficiently strong financial position to reasonably assure the agency's continued operation.

14. Comply with the "Guides Against Debt Collection Deception" of the Federal Trade Commission as they apply to collection agency practices.

15. Comply with the Federal Communications Act, with particular attention to Sections 203 and 223 as they refer to the use of the telephone. These sections specifically prohibit the use of the telephone in a manner that is for the purpose of and calculated to "frighten, abuse, torment, or harass another . . ." or for "... unlawful purpose."

CODE OF OPERATIONS

The following Code of Operations shall govern all members of the American Collectors Association, and have the same effect and same enforcement procedures as those provided in the Code of Ethics.

This Code of Operations is intended to apply only where and to the extent that it does not conflict with applicable statutes or authoritative judicial decisions.

In the relationship with his creditor-clients, each ACA member shall:

1. Provide efficient and effective collection service in the territory which he represents that his agency serves.

2. State clearly the services to be performed and the terms under which they shall be performed.

3. Always protect the interests of clients and give prompt and diligent attention to all matters received.

4. Follow all instructions given by clients in the processing of an account or promptly give reasons for not doing so and ask for further instructions.

5. Make settlement with clients at least once each calendar month, and such settlement shall not be later than 20 days after the close of the calendar month for which the settlement is made.

6. Give preference, wherever possible, in disbursing to clients in the order of priority as established by the receipt of the accounts, where a number of accounts against the same debtor are being collected in installments, unless it is necessary to do otherwise to prevent some accounts from being outlawed or unless debtor demands payment be applied to certain accounts; but if a client supplied material information or assistance by reason of which the collection was made possible, then such client shall receive preference.

7. Allow a client the right to withdraw any and all accounts six months after they have been listed, within 30 days of receipt of such request in writing, providing that there has been neither payment nor promise of payment since the listing for collection, unless some progress shall have been made which reasonably entitles the member to retain the account or accounts for further effort.

8. Answer all business letters and communications within a reasonable period of time.

9. Maintain a separate clients' trust fund, and deposit in the bank account, within ten days of its receipt, all money collected and due to creditor-clients on accounts placed with the agency for collection; the balance in that trust account shall be sufficient to cover all funds due to creditor-clients at any time and all remittance to the clients shall be made from that account.

10. Not knowingly accept accounts from firms which engage in questionable or improper business practices, or whose accounts generally cannot be sustained by proper documentation.

11. Not accept or give any gratuities, gifts or favors that might compromise the actions and/or judgment of creditor-clients or their representatives, impair or compromise the judgment and/or quality of service offered by the collector, nor offer any unethical or illegal favor, service or thing of value to obtain a special advantage.

12. Not knowingly misrepresent his qualifications, capacity, experience and abilities.

13. Adhere to the terms of a contract or agreement unless these terms have been legally terminated, falsely represnted, or substantially altered by unilateral action of the other party to the contract.

In his relationships with fellow association members, each ACA member shall:

1. Compete in a fair and honorable manner, never publicly attacking the reputation of a competitor.

2. Comply with the ACA Rules and Regulations governing the forwarding and the handling of forwarded accounts.

3. Comply with the provisions as outlined in the preceding section when accounts are forwarded to or received from fellow association members, and a client-collector relationship exists.

4. Be continuously aware of ways in which he can help fellow association members to improve the operation of their businesses, when such help would not be competitively detrimental.

5. Avoid communicating directly with his forwarder's clients, except with the consent of the forwarder.

6. Not knowingly distort an evaluation of competitors and colleagues, but supply information to appropriate offices only when such disclosure serves the purpose of correcting and eliminating unethical or illegal practices.

7. Be continuously alert to ways in which members can improve their awareness of and compliance with the Association's Code of Ethics and Operations, and assist members in understanding and complying with them.

In his relationship with attorneys and in areas defined as the practice of law, each ACA member shall:

1. Negotiate directly with an attorney engaged by a debtor to represent him in the collection matter at hand, and not negotiate with the debtor until such time as the attorney removes himself from such relationship, or neglects or refuses to answer correspondence or other communications.

2. Refrain from:

a. Soliciting claims for any purpose at the instigation of any attorney which would place the attorney in the position of violating the Canons of Ethics of his own association.

b. Soliciting claims for the purpose of having any legal action or court proceedings instituted thereon.

3. Refrain from:

a. Assuming authority on behalf of clients to employ or terminate the services of an attorney or to arrange the terms or compensation for such services.

b. Intervening between client and attorney in any manner which would control or exploit the services of the attorney or which would direct those services in the interest of the agency.

c. Demanding or obtaining in any manner a share of the proper compensation for services performed by an attorney in collecting a claim, irrespective of whether the agency may have previously attempted collection thereof.

4. Refrain from:

a. Furnishing legal advice or performing legal services or representing that he is competent to do so; or instituting judicial proceedings on behalf of other persons.

b. Communicating with debtors in the name of an attorney or upon the stationery of an attorney; or preparing any forms or instrument which only attorneys are authorized to prepare.

5. Refrain from employing instruments simulating forms of judicial process or forms of notice pertaining to judicial proceedings.

In his relationship with consumers, each ACA member shall:

1. Show due consideration for the misfortunes of consumers in debt and deal with them according to the merits of their individual cases.

2. Do everything reasonable to assist the consumer in the solution of any financial problems he may have and to help him to have a better understanding of the use of credit and importance of using it wisely, by utilizing appropriate channels of communication, including programs of consumer education.

3. Avoid deceptive practices, statements, or materials which would cause the consumer to believe that he was dealing with someone other than the collector.

4. Provide effective channels for receiving and acting on consumer complaints and suggestions, including but not limited to utilizing the resources of its Association, Chamber of Commerce, Better Business Bureau, recognized consumer groups, and other appropriate bodies.

5. In the event of a disputed account, make available to the consumer all related supporting information and documents with an explanation of all charges, and provide trained personnel to assist the consumer and/or creditor-client in attempting to resolve any existing dispute regarding his account.

6. When a consumer absolutely refuses to pay or even discuss an account, cease further direct collection efforts with the exception of advising the consumer that the collector's further efforts are being terminated and that there is a possibility of the creditor's attorney invoking the creditor's remedies locally available.

7. Not publish, post, or cause to be published or posted any list of debtors commonly known as a "deadbeat list" for the purpose of forcing or attempting to force collection thereof.

8. Cooperate with qualified community counseling services and other appropriate agencies and refer consumers to them as such needs appear.

9. Make telephone and personal calls during such hours and with such frequency as would be regarded as reasonable.

The National Conference of Lawyers and Collection Agencies, a body made up of representatives of the American Bar Association's Unauthorized Practice of Law Committee and representatives of the various organizations within the collection industry, reach agreement Feb. 18, 1968, on the "Proper Activities of Collection Agencies from the Standpoint of the Unauthorized Practice of Law." This agreement was ratified by American Collectors Association, Inc., on July 2, 1968.

Copies of "Proper Activities" may be obtained from the ACA Center; however, the contents are incorporated in the above Code of Ethics and Operations.

American Collectors Association has also adopted the use of the Uniform Authorization Form and Uniform Forwarding Contract for use in forwarding accounts to attorneys. Copies are available from the ACA Center.

Exhibit B

Rules and Regulations of American Collectors Association, Inc.

Resolved, That the following be enacted by American Collectors Association, Inc., in regular annual convention assembled, that these Rules and Regulations be the law for the guidance of the Officers of the Association and the Grievance Committee in determining the rights of forwarder and forwardee.

COMMISSION RATES

1. Rates of commission, and fees, are matters of contract between forwarder and forwardee, and the Association does not presume to establish any fixed policy that is intended to be binding upon its members.

The recommended rate on forwarded retail accounts is thirty-three and one-third per cent (33⅓%) net to the forwardee. On retail accounts forwarded on other than the above basis, the forwarder shall state in his forwarding letter or blank the net commission to be allowed the forwardee. If the rates so stated are not satisfactory to the forwardee, he shall either return the item of business within three (3) days, or refuse to handle it until satisfactory arrangements as to the rates are agreed upon.

The Association does not recommend the forwarding of small accounts, but when the forwarder feels that it is necessary in order that he may render a complete service to his claimant, it is recommended that accounts of Twenty Dollars ($20.00) or less be forwarded on a commission rate of fifty per cent (50%) net to the forwardee, provided, however, that if the aggregate amount of the accounts forwarded against the same debtor at the same time exceeds Twenty Dollars ($20.00), the recommended rate of thirty-three and one-third per cent (33⅓%) may apply.

2. With respect to whole accounts (that is, accounts for goods, wares, and merchandise sold for other than consumer purposes, and against an individual, firm or corporation actually engaged in business), the following table of rates is set forth as a guide or suggestion:

25% on the first $2,000
20% on the excess of $2,000
Minimum commission $37.50 if total collection is between $75 and $150
50% if total is under $75

The following schedule of commissions is suggested as the forwardee's compensation on forwarded commercial accounts:

20% on the first $300
18% on the next $1,700
13% on the excess over $2,000
Minimum commission $25 if total collection is between $75 and $125
33⅓% if total is under $75

However, it shall be mandatory upon the forwarder to state in his forwarding letter, or on his forwarding blank, the exact terms upon which the account is forwarded. If the forwardee, after having accepted the item at the rates quoted on the forwarder's forwarding blank, should determine that the item is in reality a retail account and that the rate under which the account was first forwarded is inapplicable, it shall be mandatory upon him so to notify the forwarder and secure his consent to increase the rate of commission to an amount mutually acceptable, or to return the item to the forwarder.

3. In cases where the American Collectors Association, Inc., Directory is used by retail or professional credit grantors to forward accounts direct to Association members located in cities other than those where claimant is located, it is recommended that they be forwarded on a fifty per cent (50%) contingent basis.

4. When forwarding an account involving repossession, the forwarder shall expressly stipulate the amount to be allowed the forwardee as his compensation. Forwardee shall make definite arrangements with and obtain agreement from the forwarder before making any repossession.

5. Repossession of automobiles and other vehicles. When forwarding this type of account, the forwarder should expressly stipulate what amount is to be allowed the forwardee as his compensation for different types of services that the circumstances may require. In cases where this is not done, the Association recommends the following charges as a suggested guide:

(a) Fifteen cents per mile for mileage.

(b) Twenty-five dollars for a report giving new address where property can be found or any information that will assist in leading to its ultimate recovery.

(c) Ten dollars for making demand. This is to apply only in cases where demand is a prerequisite to the filing of repossession action in the courts by an attorney.

(d) Fifty dollars for a voluntary automobile repossession if at the given address.

(e) Fifty dollars for a straight body truck or pickup truck repossession if at the given address.

(f) One hundred dollars for a tractor or semi-trailer repossession if at the given address.

(g) Seventy-five dollars for a trailer or house trailer repossession if at the given address.

(h) Sixty dollars for a camper-trailer repossession if at the given address.

(i) Ten dollars for consummating sale of each vehicle.

(j) In cases where the property taken by voluntary repossession is later paid off by the mortgagor to the forwardee, the forwardee shall be entitled to his full repossession charge, plus his expense, all of which he shall attempt to collect from the mortgagor over and above the amount due the forwarder or mortgagee, except in areas where collection charges are prohibited by law.

(k) Out-of-pocket expense such as tow charges, driver, garage lien, storage, repairs, keys, anti-freeze, informer expense if authorized or justified, etc. No charge for meals, hotel, gas for repossessor's car on any assignment.

(l) In cases where the property taken by voluntary repossession is later paid off by the mortgagor or satisfactory arrangements made with the forwarder, mortgagee or title holder, then the forwarder, mortgagee or title holder shall protect the repossessor for his full repossession charges plus his expense or become liable for same.

RULES AND REGULATIONS

1. The forwarder shall give forwardee all possible information concerning any forwarded account. Whenever an account is forwarded for an amount which includes charges in addition to the principal balance due, the forwarding form shall clearly identify such additional charges, item by item. If the forwarder resuests that interest be collected, he shall either pre-compute it and identify it as interest, or shall stipulate the rate of interest to be collected and show the dates at which the interest period commenced.

It is recommended that, insofar as is practical, the authorized forwarding form of the American Collectors Association, Inc., be used, and that same be filled out in detail. When forwarding an account by letter, or on a form other than the official Association form, care should be exercised to provide the most complete information possible, which in no case should be less complete than information requested on the official form.

2. The forwardee shall, within three (3) days of their receipt, acknowledge all items of business received by him, by accepting or rejecting them. In case the forwardee rejects an account, he shall inform the forwarder of his reason for so doing. No forwardee may assert a claim for commissions on payments made direct to the original claimant or to the forwarder prior to the date of forwardee's acknowledgement of the claim, nor may a forwardee's acknowledgement of the claim, nor may a forwardee assert a claim for commission on undisclosed payments that are made to a forwarder or the original claimant prior to the time of his acknowledgement of the account unless his acknowledgement of the account shall have been made within three days of the receipt of the claim by the forwardee.

3. Forwardee shall respond promptly to requests for reports from forwarders.

Reports shall not be requested or expected sooner than one hundred fifty (150) days after the claim has been acknowledged, payment received thereon, or following the last report, unless for urgent reason.

After two (2) requests for reports have been made by a forwarder without response from the forwardee, the forwarder may give fifteen (15) days' notice of cancellation of the claim by certified mail, and if no report is given within this time (15 days), the claim will be considered cancelled and returned to the forwarder. All evidence of debts sent to any forwardee must be returned to the forwarder upon cancellation.

Return postage need not be furnished by the forwarder, except when the report is requested sooner than one hundred fifty (150) days after acknowledgement, payment received thereon, or following the last report.

4. The forwardee shall make settlement with the forwarder at least once each month, furnishing him with a suitable statement that can be retained by him for his files. Such statement shall show thereon the following: name of each debtor, name of each creditor, date of each collection and amount of each collection. If interest has been collected, the statement shall show this fact and the amount so collected. The final payment on each account shall be properly designated as such. If the account of more than one creditor has been forwarded against a particular debtor, the statement must show the above items as they pertain to each creditor.

5. The forwarder shall promptly report to forwardee any direct payments made either to forwarder, or to the claimant, and if forwardee has no funds under his control from which to deduct these commissions so earned, the forwarder shall remit such amount to the forwardee within thirty (30) days after being rendered a statement by the forwardee.

6. Where a forwarded account is paid direct to the claimant or to the forwarder after it has arrived at the office of the forwardee and the forwardee has acknowledged receipt of same, and has started work on the account, the forwardee shall be entitled to the usual commission.

7. Where a forwarded account has been worked on by the forwardee and in the course of his work, he uncovers the fact that the account has been previously paid, either to the forwarder or to the claimant, and recognized by them, the forwardee shall be entitled to receive one-half of the commission which he would have earned had he himself made the collection.

8. If the forwardee learns that a debtor is located in a territory other than that normally serviced by him, he shall return the claim to the forwarder, with the debtor's address when possible. However, if the forwardee has made settlement arrangements with the debtor, he will be permitted to retain the account so long as payments are being received.

9. No forwardee shall retain all of the interest collected on an account forwarded to him unless special arrangements have been made in advance with the forwarder. The same commission rate shall apply to interest collected as to the principal amount.

10. In cases where the item forwarded is a judgment which includes costs, the forwardee shall be entitled to his regular commission on the collection of the entire judgment, unless different arrangements have been made in advance between the parties.

11. A forwardee, having voluntarily relinquished an account, shall not, after giving notice to that effect to his forwarder, accept payment from the debtor and he shall not be entitled to compensation, or commission on any payments he may accept.

12. If a forwardee finds he cannot properly service an item of business forwarded to him for any reason, including the following:
(a) Because of friendly relationship with debtor;
(b) Because of obligations to debtor's attorney;
(c) Becahse of relatives of debtor being employed by him;
(d) Because of obligation to another forwarder;
he shall immediately notify forwarder and offer to return the item, and unless forwarder requests him to retain the item, he shall return same to the forwarder.

13. No forwardee shall charge and retain in one case the commissions claimed in another, where there is no authority so to do, particularly when those commissions are in dispute.

14. Under no circumstances shall a forwardee show, read, or deliver to a debtor, any communication received by him from a forwarder, or his claimant, without the written consent of the forwarder, and a violation of this provision shall constitute unethical conduct.

15. When returning an account, the forwardee shall return all documentary evidences of the obligation which have been received from the original forwarder.

16. Forwarded accounts which have been in the forwardee's hands for at least six (6) months' time and upon which no collection has been made by the forwardee shall be returned to the forwarder upon request unless the same are in the process of collection.

17. Before reforwarding an account, forwarder shall request return of the account and secure its release from the original forwardee, failure to first obtain its release may result in liability for double commissions.

18. In forwarding accounts originally, the forwarder shall forward all accounts which he may have against the debtor, or state the reasons why such accounts are not so forwarded.

19. No forwardee shall compromise or settle any account forwarded to him for a lesser amount than the amount furnished him on the forwarding blank without first obtaining the consent of the forwarder. In case that he should, he shall be liable to the forwarder for the full amount of the account, less his usual commission unless forwarder's client ratifies the settlement.

20. It shall be the duty of each member of this Association, upon effecting a repossession of any form of personal property on behalf of a client or principal, to immediately cause such property to be stored in such a place as to insure or the owner its complete safety.

The unauthorized use of any such property by a member, or the unauthorized loan of such property to another shall be deemed a breach of the Code of Ethics of this Association by such member.

21. It shall be the obligation of the forwarder to specify under the Rules and Regulations of what association an account is forwarded. Lacking specification, it shall be assumed that any member of this association forwards accounts to any other member of this Association under the Rules and Regulations of American Collectors Association, Inc., regardless of what other associations either or both the forwarder and forwardee may be a member.

GRIEVANCE COMMITTEE

The Grievance Committee shall have full power in case of complaint against a member of this Association for violation of the principles of equity and proper collection practices wherein these Rules and Regulations are specifically silent.

Where a forwarder or forwardee, as the case may be, shall have been found guilty of violating any of the preceding Rules andd Regulations, he shall be subject to discipline by this Association as provided under our Bylaws.

Any member of the American Collectors Association, Inc., who shall be found guilty on a charge of violating these Rules and Regulations in the judgment of the Grievance Committee shall, within the judgment and discretion of said Committee, or a majority thereof, be expelled, suspended or reprimanded as may seem just to the Committee, and the Chairman of the Grievance Committee shall notify all persons concerned of their decision by certified mail.

Any member who shall have been disciplined by the Grievance Committee as herein provided under Article XV of our Bylaws shall have the right of appeal to our Board of Directors. Such appeal shall be heard at the next meeting of the Board, and a majority vote of the members present at such meeting shall be conclusive and final.

Notice of appeal shall be given to the Executive Vice President of this Association within thirty (30) days after the decision of the Grievance Committee has been communicated by certified mail to the appellant by the Chairman of the Grievance Committee.

By these Rules and Regulations, all members of this Association are held and firmly bound.

Your Committee realizes that it is practically impossible to draw a set of Rules that will govern all cases because there are so many side issues that can be attached to any given set of facts that it would change the whole viewpoint in that one case. Therefore, we heartily recommend that, where a difference of opinion does occur between forwarder and forwardee, each of you put into practice the fundamental principle of the "Golden Rule."

Exhibit C

Q. How To Choose a Collector?

A. Very Carefully!

(By John W. Johnson, ACA Executive Vice President)

Ethical conduct. Dollar results. Both have always been important when you have seletcted a professional collector to service your accounts. They are especially important now with the increased attention by government and courts to credit-collection practices and also with the economy such that you must have maximum recovery of your past due accounts.

Professional conduct and ethical practices are important since the collector's methods of operation will reflect on your reputation, and possibly even bring legal action against you. But, regardless of how responsible and ethical a collector, unless he is set up to produce results as far as YOUR accounts are concerned, he is not the collector for you.

This may be the time for you to review the service you are getting from your present collection specialist. Or, possibly you are in need of one for the first time. Whatever the case, here are some ideas to help you.

EXACTLY HOW SHOULD YOU GO ABOUT LOCATING NAMES OF COLLECTION SERVICES?

Look in the Yellow Pages of your telephone directory under "Collection Agencies" for those who list themselves as members of a trade association such as the American Collectors Association. Membership is your guarantee that the service has met a strict set of requiremetnts, is in full compliance with state laws and that you have the backing of the facilities and staff of the association should any special problem arise.

ACA, with a membership of approximately 2,600, is the world's largest organization of independent, bonded collection offices. Its members provide accounts receivable collection and other credit services for about 800,000 professional, retail and wholesale credit grantors in 10,000 communities.

Incidentally, it is best to use a local service as your primary professional collector and to avoid out-of-state and mail order companies.

Ask for recommendations from other credit grantors. Find out who has given them dollar results and ethical conduct. The type of service given other clients is a good indication of how your account will be handled.

WHAT SHOULD YOU DO WHEN FIRST CONTACTING A COLLECTOR?

Ask for references, both among clients in your own type of business and from other clientele. Consider the type of operation the clients themselves run. Would they expect the same level of performance as you would?

Check references. It is important to know if the collection service brings good results and is prompt in settling for money collected. Ask if the staff is willing to advise clients on credit and collection related matters when necessary. Find out if in day-by-day practice the operation is on the high level you will want. How your collector conducts his business will reflect on you.

Determine if he has a good reputation in the community with merchants, professionals such as doctors and dentists, hospitals and other credit grantors. Find out if he has the good will and cooperation of local lawyers, the Better Business Bureau and the Chamber of Commerce.

Visit the collection office. Often this will give you an indication of the professionalism of the operation. Meet the staff. Note the office hours. And, of course, discuss all aspects of the collection operation and the services you will expect.

Exactly what should be discussed? That question often has been asked of American Collectors Association member Leonard G. Rose, president of National Account Systems, Inc., one of the largest collection services in the country.

Recently, to assist university and college financial staffs, and Health, Education and Welfare officials who are concerned with delinquent student loans, Rose was asked to suggest what should be considered when selecting a professional collection service. Here are guidelines for you, based on what he said:

WHAT SHOULD YOU CHECK ON WHEN SELECTING A COLLECTOR?

Ethical Operation

Make sure there is compliance with the state's statutory requirements as to bond or license or both. Of the 50 states, 31 have such provisions. In addition, most states have controls for debt collection practices. If a member of a trade association, a collector is expected to subscribe to and follow a code of ethics. There may be a statement of policy which employees are required to sign.

Ask for copies of all collection forms used in contacting debtors. Review them for Federal Trade Commission or bar association requirements. Be alert to the use of simulated legal documents that are contrary to FTC Guidelines.

Financial Stability and Competence

Check the ownership and financial responsibility of the service. Learn the length of time it has been in business. Investigate both the business and personal finances of management.

Learn about the background and expertise of the staff. Does the manager keep himself and his people current on new government regulations and court rulings relating to credit-collection practices and on the newest tools and techniques of collection. And, check on the depth of management in case the manager or principal becomes ill or unable to perform his duties.

Review hiring practices. Is the service an equal opportunity employer?

Services Provided

Have a concise understanding of collection fees and what is or isn't included. Rates usually will be on a contingent fee basis—no collection, no charge. Be sure that all special situations are understood in advance. It may be desirable sometimes to have written confirmation to alleviate any costly misunderstandings.

Fully understand the reporting practices, whether a computerized or manual operation. You know if you have made a wise choice of a collector by the type of reports you receive. You want prompt acknowledgement of claims and return of accounts judged to be uncollectible without cost to you. You will want to know what investigation is being made on your claim, and if a payment has been made, that a check is coming.

Know the frequency of remittances--weekly, semi-monthly or monthly—and the period covered. Where sufficient volume is involved, you can expect more frequent remittances to improve your cash flow.

Decide if the collector is equipped to work and follow all accounts diligently for as long a period of time as required. Does he have complete and modern facilities for skiptracing?

Learn the geographic trade area that is covered firsthand. Is the service able to forward accounts to a collection office in a location where a debtor has moved? (One of the main reasons collection services join ACA is to be listed in the annual DIRECTORY which is used to forward $29 million in accounts each year.)

Make it known that you expect your collector to exhaust all reasonable means toward securing voluntary settlement before recommending legal action. Be sure no legal action will be taken without your consent.

Ask about bonding of all employees and of coverage by Errors and Ommissions insurance which will protect you and the collection service in case of a lawsuit.

Know how debtors will be approached. Does it seem the collector will try to promote a sense of responsibility and emphasize the importance of a good credit reputation and re-establishment in the credit granting community? Does the collector understand your credit and public relations policies?

Determine if, because of the special nature of your business, your particular needs can be met.

Discuss these topics and make your selection on what you learn and on reputation and past performance. hen you can be assured you have done everything possible to make a wise selection of a professional collection service. And this is important, for such a service should be a profitable and compatible extension of your own credit operation.

PROPOSAL: TO AMEND THE HIGHER EDUCATION ACT OF 1965

I. INTRODUCTION

Since the 1965 inception of the Guaranteed Student Loan (GSL) program under Title IV of the Higher Education Act, over 200,000 students have defaulted under the program. Effective administration of this program, which provides loans to interested students, with a federal interest payment scheme to qualified students, depends upon constant replenishment of the student loan fund. If defaults on loans continue to spiral, the entire GSL Program is endangered. Not only do defaults create a shortage of funds available in the insurance fund, but they also arouse feelings that student borrowers are not assuming their responsibilities under this program.

Since 1968, the Office of Education has had limited success in the collection of defaults. This proposal recommends that private agencies be utilized to assist with this extraordinary problem.

Private collectors offer a myriad of advantages. They do not present a drain on the taxpayer to staff their offices and fund collection efforts. The private collection agency is self-motivated by the profit incentive to keep accurate records and do a thorough job. The private collection agency is already in existence and may be called upon immediately. Perhaps the most important factor influencing use of the private collection agency is that it has an established track record. The public knows that its job is to collect debts when they are not paid. If student borrowers were faced with the prospect of having their loans collected by a private agency, the psychological effect alone would diminish the number of defaults.

By amending the Higher Education Act of 1965, to allow the Commissioner of Education to contract with collection services, Congress would provide for effective collection of approximately 190 million dollars and begin the process of eliminating student default abuses. (A sample amendment is set out in Appendix B, infra.)

Use of the private collection agency by the Office of Education is not an absolute step. The Commissioner of Education would have discretion to use them services for a trial period or pilot program to determine its effectiveness and practicality. The Commissioner would be responsible for safeguarding the rights of students in all cases and would maintain his authority to waive repayment under certain circumstances.

A move by Congress to introduce the private sector into the collection of defaults is not irrevocable. The prior history of federal collection attempts cries out for an alternative approach. The simplest method could guarantee the futures of the Guaranteed Student Loan Program.

Congress' motivation for creating the Guaranteed Student Loan Program was to make money available to students *not in desperate need.* The choice to participate rests with the individual borrower; he may do so regardless of his financial status. However, many students participating in the GSL Program could not attend college without these funds. It is unfair to these students to permit the guaranteed student loan concept to deteriorate because it has been abused. The private collection agency could stop these abuses and also serve the student borrower by investing him with a sense of financial responsibility and accomplishment stemming from the act of actually paying for his own higher education.

II. THE PROBLEM—SCOPE OF DEFAULTS

A report issued on the GSL Program prepared by the Reports and Data Analysis Staff, Division of Insured Loans, Office of Education in June, 1974, shows a total of $79,622,535 in default claims paid to state and private lenders under the Federal Re-Insurance Program to that date. The same report shows $110,471,342 in default under the direct GSL Program. (See Appendix A.)

From the inception of the Federal GSL Program to June 30, 1974, a total of $7.5 million was collected by the Office of Education on loans that were in default (this figure does not include the Federal Re-Insurance Program). For this same period the amount of uncollected loans in default under the GSL Program was $103 million.

A survey made in the Fiscal Year 1974 reveals that of those claims under the federal GSL program, 91% were the result of defaults by student borrowers, and only 9% were due to bankruptcy or due to death or disability. Under the Federal Re-Insurance Programs, 90% of all claims paid were due to student borrower defaults, 3% due to bankruptcy and 7% due to death or disability.

The following is a comparison of the total loans in default under the federal GSL Program and the value of these loans.

Fiscal year—	Number of loans in default	Total claims paid under guaranty
1968-71	9,765	7,851,856
1972	17,411	16,000,266
1973	32,665	31,425,380
1974	56,287	55,193,840
Total	116,128	110,471,342

III. THE FEDERAL APPROACH TO COLLECTION

The Office of Education makes collection attempts on loan defaults through their ten regional offices throughout the country (see Appendix B). These offices are responsible for recovering defaults on all federal guaranteed programs. As of October, 1972, the 22 regional employees were estimated by the Office of Education to spend an average of 57% of their time in actual collection attempts and the remaining time on other HEW and Office of Education duties.

Since that time, Congress provided for 113 new positions to assist in collection. In FY 1975, Congress is expected to approve an additional 35 positions bringing total full-time collectors to 170.

In May, 1972, the Office of Education produced a comprehensive "Manual for Lenders." This volume was designed to assist all lenders operating under the Guaranteed Loan Program. However, only the following three points are included regarding collections:

(1) The lender is informed to use practices "no less extensive and forceful than those generally used by financial institutions, exploring all avenues of collection . . . (such as letters, phone calls, personal calls, personal contact);"

(2) When an account becomes overdue, the lender is told to notify the Office of Education for "preclaim assistance" (this appears to be more to keep records up to date than to assist in actual collection);

(3) The lender is told that timeliness is important and that the student should be notified within 7 days of missing a payment.

The "Lenders' Manual" theretfore suggests that lenders operating under the guaranteed loan program conduct themselves like private collection agencies.

Because the federal re-insurance program guarantees 80% of the loans originally guaranteed by state agencies, it is not profitable or realistic for the state agencies or the private lenders to function as or contract with private collection agencies for the 20% balance. Upon default, the private lender is reimbursed for 80% of the loan's value by the state guaranteeing agency participating in the federal re-insurance program. In the event that the state agency is able to recover all or part of the default, they in turn reimburse the federal program.

The small amount of space devoted to the "collection" section in the "Lenders' Manual" is a tacit recognition of the realities of the situation. The only formal federal requirement on collection efforts by the private lender under the federal re-insurance program is that he use "due diligence" (P.L. 90-460, 1968). This term is not defined in the federal re-insurance act and no regulation has been issued by the Office of Education to indicate the extent of responsibility it imposes on a private lender.

As a last resort, the Office of Education, which operates like most governmental agencies under the Federal Claims Collection Act of 1966 (P.L. 89-508), may refer cases to the Department of Justice for legal action against defaulting student borrowers. However, this alternative has not been fully utilized by the Office of Education.

IV. THE FEDERAL POSITION ON THE LEGALITY OF USING PRIVATE COLLECTION AGENCIES

Several legal interpretations conclude that the Commissioner of Education has no authority to contract private collection agencies. This proposal contends that Congress should consider an amendment to the Higher Education Act of 1965 authorizing the Commissioner of Education to contract with these firms.

The Federal Claims Collection Act of 1966 (P.L. 89-508), presently controls the collection of claims due the federal government. This act provides in pertinent part (31 U.S.C. 952(a)) that:

"*The head of an agency* or his designee, pursuant to regulations prescribed by him and in conformity with such standards as may be promulgated jointly by the Attorney General and the Comptroller General, *shall attempt collection of all claims* of the United States for money or property arising out of the activities of, or referred to, his agency." (emphasis added).

An "agency" under the Federal Claims Act includes "any department, office, commission, . . . instrumentality or other establishment or body in either the executive or legislative branch of the federal government." The Office of Education is thus clearly within the broad purview of this act. "The head of an agency" in this case would be the Commissioner of Education, the same official given authority to administer the Guaranteed Student Loan Program.

Standards issued jointly by the Attorney General and the Comptroller General appear in 4 CFR 101–105. In the opinion of the Comptroller General, these regulations would preclude the use of private collection agencies in general and in particular when applied to the collection of student defaults. (Letter of Comptroller General to Congressman Peter W. Rodino, Jr., Chairman, Committee on the Judiciary, House of Representatives, October 18, 1973).

It is the opinion of the General Counsel of the Department of Health, Education and Welfare, under which the Commissioner of Education operates, that:

> The Commissioner of Education, who is the agency head responsible for the administration of the Guaranteed Student Loan Program, is authorized to delegate functions only to officers and employees of the Office of Education . . . It would therefore not be possible to make arrangements with private collection agencies under which the latter would enjoy the degree of independent decision making in the collection of loans that they could in the private sector.

The General counsel bases his opinion on the General Education Provisions Act, Sec. 411(a), (20 USC 1231(a), which provides:

> The Commissioner (of Education) *is authorized to delegate* any of his function under any applicable program, except the making of regulations and the approval of state plans, *to any officer or employee of the Office of Education.* (emphasis added)

The Civil Service Commission has expressed an opinion in a related matter under 5 USC 2105(a). This interpretation was given in the case of NASA Goddard Space Flight Center, which attempted to hire non-governmental employees to perform tasks previously delegated to government personnel.

The result of the Goddard decision (FPM Letter No. 300–8, October, 1967) was six criteria used to determine the instance in which a non-governmental employee may be hired. Those criteria were summarized by the Civil Service Commission (FPM Letter No. 300–8):

(1) Perform on-site.

(2) Principal tools and equipment furnished by the government.

(3) Services are applied directly to integral effort of agencies or an organization sub-part in furtherance of assigned function or mission.

(4) Comparable services, meeting comparable needs, are performed in the same or similar agencies using civil service personnel.

(5) The need for the type of service provided can reasonably be expected to last beyond one year. (Beyond one year is in favor of using government employees.)

(6) The inherent nature of the service, or the manner in which it is provided reasonably requires, directly or indirectly, government direction or supervision of contractor employees in order:

To adequately protect the Government's interest, or

To retain control of the function involved, or

To retain full personal responsibility for the function supported in a duly authorized federal officer or employee.

In addition to these criteria, weight is also given to the fact that government employees (protected by the Civil Service) are presently performing a certain function. The Goddard opinion decided that the hiring of non-governmental personnel was not valid. However, in the Goddard case the non-government personnel were using government equipment on a government site and working under the direct supervision of governmental personnel. In the case of a private collection agency, the non-governmental personnel would be using their own facilities and working under their own direction.

A personal service, as it is used in the Civil Service Commission regulation, is one that would usurp a duty or function normally performed by a Federal employee. Thus, any person working with tools provided by the Office of Education, or working in that office performing services that are usually undertaken by an Office of Education employee, is engaged in a personal service.

The underlying policy in deciding when HEW may make a personal service contract is summarized in Sec. 3 22. 101-3 of the HEW under "Service Contract in General":

If the contract would result in procurement of *personal services*, the contract must not be entered into unless there is a specific statute authorized contracting for personal service.

Thus, personal service contracts are permitted if Congress specifically so authorizes. The amendment we propose would have this effect. All laws enacted by Congress are the paramount laws of the land, therefore, the ruling of the Civil Service Commission and HEW would be superseded.

Due to the seriousness of the problem of the defaults facing the Office of Education, it is suggested that the Commissioner be allowed to exercise his own discretion and contract private collection agencies. Congress should amend the Higher Education Act to clearly enable the Commissioner of Education to contract private collection agencies, and thus escape the predicament of student defaults and negate the effects of the Civil Service rulings.

V. HISTORY

Before the passage of the Higher Education Act in 1965, some state and privately financed student guaranteed loan programs existed. These programs were implemented by individual state governments, banks, savings and loans, insurance funds, private nonprofit organizations, and other financial institutions. Loans were made at the risk of the individual lender unless covered by a state guarantee program.

But, after the passage of the Higher Education Act, the Office of Education encouraged more states to implement student guaranteed loan programs. To assist states in starting new student loan programs, the Office of Education diverted money from the GSL Program to various state programs.

By the end of 1966, one year after the Higher Education Act was implemented, some type of student guarantee program was functioning in every state.

The largest private lender was the United Student Aid Fund established in 1960. USAF had had experience coordinating state programs before the establishment of the GSL Program and therefore was called upon to supervise the newly adopted federal programs. This organization administered 16 GSL Programs and 12 state programs which were reciving federal funds.

Some state programs used federal funds to supplement their own funds for guaranteeing state loans made by private institutions within their state boundaries. However, USAF programs could not follow this policy, thus greatly encumbering their funds. As a result, by 1967, most of the USAF administered programs were out of money due to defaults and expenditures.

To remedy this situation, Congress passed P.L. 90-460 on August 3, 1968. This law provided for a federal re-insurance program that guaranteed loans made by state and private programs. Under this federal re-insurance program, any loan that was made by a state or non-profit private agency was 80% guaranteed with federal funds. State agencies readily embraced this new approach, but USAF did not. As a result, most programs formally administered by USAF became totally federal under the GSL Program. Some state programs not administered by USAF embraced the federal re-insurance plan, but continued to operate under state auspices. The United Student Aid Fund continued to operate as a nonprofit private lender, and in 1974 was functioning in this capacity in all 50 states and the territories.

As of June, 1973, 26 states and the District of Columbia were participating directly in the GSL Program, while the remaining 24 states and the United States Territories utilized their own guarantee agencies. At this point, any difference in these programs was merely a matter of historical accident, as all participated (at no expense) in the federal re-insurance program under P.L. 90-460. Since no real difference existed between the state and federal programs, several areas of the country (mainly Vermont and ten of the larger cities) combined the two, allowing a student-borrower to use whichever program had available funds.

VI. PURPOSE OF THE STUDENT LOAN PROGRAMS

One of the original purposes of the Higher Education Act was to encourage private programs. The federal program was intended only as a supplement to the state or private agencies already functioning:

> As long as all students at all institutions have access to comprehensive state or private nonprofit programs of loan insurance, the committee has no wish to establish a federal loan insurance program as an active competition in the field . . . ; the committee bill places the federal program on a standby basis.

Senate Report No. 673, Sept. 1, 1965, accompanying the Higher Education Act of 1965.

Thus Congressional intent remained intact until the failure of most state guarantee programs administered by USAF. With the passage of P.L. 90–460, the Federal Government became an insurer for every student loan, however made, and federal presence in the student loan area was irrevocably established.

Besides encouraging state and private lenders to expand their own loan programs, Congress intended the Act to provide for private programs and pay a portion of the interest on all loans in cases where a student met a certain needs test. The GSL Program provides that, for every student from a family having a combined income of less than $15,000 a year (adjusted), the GSL Program will pay the loan interest while the student is attending school, and for nine to twelve months after his graduation. (Section 428(a) of the Higher Education Act.)

In administering the GSL Program, the O.E. applied a somewhat different test than Congress intended. A special needs formula, determined by the financial aid officer of each institution, also had to be met before federal intertest benefits were granted a student loan. In P.L. 93–674, Feb. 1, 1974, Congress reaffirmed its stand that the special needs formula should be applied only to students from families with a combined income of *over* $15,000 a year, not to all student borrowers. The special needs formula would thereby expand the GSL interest program instead of limit it.

The Office of Education's blanket application of the special needs test created additional problems by entrusting the institution's financial officer with the decision on a student's eligibility for federal interest benefits. The fact that applications for loans under the GSL Program were down 32% in 1973 over those filed in 1972 was at least partially due to the subjection of every student to the special needs test. The first few months of 1974 showed a 29% decline in applications over the 1972 figure. P.L. 93–269, which corrects the overuse of the needs test should increase applications for the GSL Program to their former level.

By paying a portion of the interest on only a select group of student loans, Congress was able to effect the underlying intent of establishing the Guaranteed Student Loan Program:

> (The GSL) was intended as a loan of convenience to students of middle-income families, as well as those in greater need. For the extremely needy, grants were available under the Educational Opportunity Program. For those from slightly higher income backgrounds, Work-Study Opportunities and National Defense Student Loans were available.

Senate Report No. 93–674, Feb. 1, 1974.

The intent of the GSL Program was a far cry from the first student loan programs, which viewed loans as a last resort, to be used only by "needy and deserving students," after all other means of financial help (scholarships, grants, work-aid, and family help) had been exhausted. (Such criteria are still used by the Basic Educational Opportunity Grant Programs, which give aid to "students from low-income families, to prepare them for a program of postsecondary education.")

In light of Congress' intent to provide loans to "middle-income students," the repayment issue (or default issue) considered in this proposal assumes particular significance. Any student electing to participate in the GSL Program is well aware of his own contribution to his educational goals. The Office of Education can only increase the student's sense of responsibility and heighten his feeling of achievement by treating selection of the student loan program as a responsible act.

VII. SCOPE OF THE STUDENT LOAN PROGRAMS

Chart I shows a comparison of appropriations between the student loan programs contained within the Higher Education Act of 1965. The GSL Program has received appropriations in roughly the same amounts as other programs under the Act. However, the loans actually made under the GSL Program (Chart II) far exceed those made in other programs due to loan repayments made into the student loan guarantee fund. Thus, the GSL funds are not depleted as in other programs.

In most years Congress has allocated money to the student loan guarantee fund as well but in much smaller amounts than those given directly to the GSL and other programs.

CHART I.—SCOPE II

[In millions]

	Guaranteed student loan	Work-study program	Educational opportunity grant	National defense loan funds
1966	[1] 700	129	70	50
1967	[1] 1,000	165	70	50
1968	[1] 1,400	200	70	225
1969	86.9	139.9	124.6	210
1970	63.9	275	125	325
1971	145.4	320	170	375
1972	200	340	107.7	375
1973	400	360	100	375
1974	400	390	100	375
1975	400	420	100	375

[1] These amounts were not directly appropriated but were established Federal limits to which loan guarantees could be made.

Chart II reflects the annual volume of loans made under both the direct GSL Program (federal program) and the re-insurance program (GAO Program).

CHART II.—ANNUAL LOAN VOLUME

[In millions, cumulative in billions]

Fiscal year—	Federal program	GA program	Total
1966	0	77	77
1967	0	248	248
1968	67	369	436
1969	218	469	687
1970	354	486	840
1971	484	560	1,044
1972	708	593	1,301
1973	655	545	1,200
Cumulative since inception	2.5	3.3	5.8

VIII. HOW THE GUARANTEED STUDENT LOAN PROGRAM WORKS
GUARANTEE AGENCY RE-INSURANCE PROGRAM

An integral part of the GSL Program is the Guarantee Agency Re-Insurance Program. This program, established pursuant to P.L. 90–460 (1968), was intended to encourage state and non-profit private agencies to guarantee student loans. Parc (c) (1) et seq. section 428 of the Higher Education Act allowed any state or nonprofit private organization to enter into an agreement with the Commissioner of Education to guarantee 80% reimbursement on any student loan default. Conditions of the re-insurance program demanded that the state or nonprofit private agency (1) exercise "due diligence" in the collection of a loan insured under the program; (2) maintain accurate and complete records to be submitted to the Department of Education; (3) ascertain that state law was in harmony with the program; and agreet that 80% of collected money will be returned to the Office of Education.

On the whole, the re-insurance program increased the default rate. The government guarantees that a state agency will be reimbursed for 80% of any uncollected amount, these organizations pursue defaults only if collection costs will not exceed the uncollected 20%, which is not the usual circumstance.

According to the statement of Charles W. V. Meares, President of United Student Aid Funds, Inc., before the Special Subcommittee on Education of the Committee on Education and Labor, U.S. House of Representatives, June 25, 1974, private collection agencies usually charge 30 or 35 percent in cases of student loan collection, making their use impractical under the re-insurance program. However, Mr. Meares points out that private collection agencies would be beneficial to the GSL Program under the proper circumstances:

> Most lenders find that the greatest value of collection agencies is not in the amount of money they actually succeed in collecting, but rather in the climate their presence establishes from the borrowers. The use of professional collection agencies can help prevent any easy-going, nobody-really-cares atmosphere from developing among the borrowers; their use is an effective deterrent to *potential* defaulters as well as an obstacle to the success of *actual* defaulters. (Pages 10 and 11 of the Meares' statement)

Furthermore, Mr. Meares urges that the federal re-insurance program be organized to encourage the use of private collection agencies. It is his opinion that, "Their general use in student loan programs might well be the single most important step that could be taken in the effort to reduce defaults."

The Student Borrower

Under the Guaranteed Student Loan Program, a student is entitled to:

(1) $10,000 in the case of any graduate or professional student (this limit includes loans made in previous years);

(2) $7,500 in the case of a student in undergraduate study;

(3) $2,500 is the annual maximum to any student. (Section 464 (2) (A), (B) and (C) of the Higher Education Act of 1965.)

The eligibility criteria set forth in Section 464 of the Higher Education Act make GSL's available to any student who:

(1) is in need of the loan to pursue a course of study at (an institution of higher learning);

(2) is capable, in the opinion of the institution, of maintaining good standing in such a course of study;

(3) has been accepted . . . as an undergraduate, graduate, or professional student, or . . . is in good standing and;

(4) is carrying at least one-half of the normal academic workload . . .

This minimal criteria is in keeping with the wish of Congress to assist middle-income students under the GSL Program:

> "The plight of the middle-class student is very real. Highly motivated to go to college, his resources each year prove less and less adequate to meet college costs that are constantly rising." House Report No. 92-554, Oct. 8, 1971.

The interest rate under the GSL Program is seven percent. However, for students under the adjusted family income level of $15,000 a year and others above this income level who meet the "needs standard," the federal government pays the interest while they are in school and from nine to twelve months after they graduate or discontinue the course.

The loan agreement signed by the student borrower is in the form of a promissory note, but is unsecured and not countersigned if the student has reached the age of majority. Repayment is made in reasonable amounts, but not less than $360 a year. Accelerated repayment is permissible any time after the loan is received. Each loan grantor establishes a monthly repayment schedule with the student borrower. In the event this payment schedule is not met, the lender has 120 days to collect before the loan is considered in default.

APPENDIX A

OFFICE OF GUARANTEED STUDENT LOANS

[Percent column based on dollar amounts]

	Total paid			Default			Bankruptcy			Death/disability		
	Number	Dollars	Percent	Number	Dollars	Percent	Number	Dollars	Percent	Number	Dollars	Percent
FEDERAL INSURED LOAN PROGRAM												
Total paid	125,427	121,093,043	100	115,128	110,471,342	91	4,661	5,591,481	5	4,638	5,030,220	4
Paid 1968-71	11,542	9,730,958	100	9,765	7,851,856	81	693	736,728	8	1,084	1,142,374	11
Paid 1972	18,911	17,759,054	100	17,411	16,000,266	90	711	889,120	5	789	869,668	5
Paid 1973	35,364	34,486,312	100	32,665	31,425,380	91	1,427	1,724,048	5	1,272	1,336,884	4
Paid 1974	59,610	59,116,719	100	56,287	55,193,840	93	1,830	2,241,585	4	1,493	1,681,294	3
Paid:												
July	2,138	2,045,903	100	1,877	1,727,153	85	141	172,177	8	120	146,573	7
August	2,484	2,494,005	100	2,266	2,236,180	91	113	145,785	5	105	112,040	4
September	3,265	3,185,569	100	2,994	2,861,058	90	145	173,151	5	126	151,360	5
October	5,883	5,620,973	100	5,597	5,297,523	94	153	183,498	3	133	139,947	3
November	4,522	4,502,259	100	4,277	4,198,768	93	124	165,416	4	121	138,075	3
December	2,195	2,322,945	100	2,067	2,160,396	93	57	71,302	3	71	91,247	4
January	2,437	2,737,207	100	2,281	2,534,166	94	90	114,275	3	66	88,766	3
February	2,640	2,690,700	100	2,518	2,528,086	94	66	90,600	3	56	72,014	3
March	6,373	5,962,480	100	5,965	5,550,642	94	239	252,296	4	169	159,542	2
April	9,316	8,642,265	100	8,951	8,236,984	95	207	247,033	3	158	158,248	2
May	10,671	10,575,037	100	10,184	10,009,686	95	269	326,646	3	218	238,705	2
June	7,686	8,337,376	100	7,310	7,853,193	94	226	299,406	4	150	184,777	2
GA REINSURANCE PROGRAM												
Total paid	76,945	88,053,277	100	69,923	79,622,535	90	1,973	2,430,585	3	5,049	6,000,157	7
Paid 1968-71	13,641	11,558,241	100	11,767	9,776,282	85	324	307,874	3	1,550	1,474,085	12
Paid, fiscal year 1972	13,407	13,852,885	100	11,897	12,057,159	87	418	490,787	4	1,092	1,304,939	9
Paid, fiscal year 1973	19,549	22,959,696	100	17,962	20,995,616	91	515	634,516	3	1,072	1,329,564	6
Paid, fiscal year 1974	30,348	39,682,455	100	28,297	36,793,478	93	716	997,408	2	1,335	1,891,569	5
Paid:												
July	2,755	3,465,678	100	2,563	3,207,604	93	75	84,687	2	117	173,387	5
August	3,813	4,982,347	100	3,623	4,717,565	95	60	98,989	2	130	165,792	3
September	600	764,867	100	554	717,981	94	14	9,055	1	32	37,881	5
October	1,800	2,404,196	100	1,685	2,216,930	94	22	37,011	1	93	150,255	5
November	2,558	3,182,546	100	2,293	2,867,653	90	98	106,050	3	167	208,843	7
December	1,230	1,648,908	100	1,157	1,536,016	93	16	27,201	2	57	85,691	5
January	3,966	5,200,299	100	3,701	4,802,887	92	70	100,442	2	195	256,970	6
February	2,641	3,463,765	100	2,494	3,252,484	94	46	66,956	2	101	144,325	4
March	2,694	3,428,533	100	2,531	3,206,208	94	76	98,421	3	87	123,904	3
April	2,955	3,734,238	100	2,734	3,450,540	92	82	116,045	3	139	167,653	5
May	2,720	3,854,998	100	2,550	3,571,599	93	67	123,592	2	103	159,807	4
June	2,616	3,552,080	100	2,412	3,246,010	91	90	128,959	4	114	177,111	5

CLAIMS & COLLECTION BRANCH, OFFICE OF GUARANTEED STUDENT LOANS

Collections	Federal insured loan program			Guaranty agency loan program (Reinsurance) Principal and Interest	NDSL loan program	
	Number	Principal	Interest		Principal	Interest
Collected since July 1, 1968	96, 014	7, 425, 555	27, 067	6, 489, 225	81, 592	14, 477
Collected, fiscal year 1969-71	2, 958	229, 134	768	394, 035	19, 963	3, 897
Collected, fiscal year 1972	7, 347	589, 140	3, 071	789, 758	15, 036	2, 968
Collected, fiscal year 1973	28, 114	2, 425, 888	12, 550	1, 957, 581	27, 007	4, 859
Collected, fiscal year 1974 (to date)	57, 595	4, 181, 393	10, 678	3, 347, 851	19, 586	2, 753
July	3, 544	262, 986	863	275, 015	2, 204	189
August	4, 490	400, 904	576	160, 303	1, 795	301
September	2, 935	180, 091	1, 576	150, 000	1, 784	228
October	2, 394	135, 865	656	254, 229	1, 044	193
November	4, 423	309, 649	2, 922	400, 842	1, 072	136
December	3, 641	265, 320	1, 001	91, 333	837	114
January	4, 336	333, 542	694	374, 086	1, 325	136
February	4, 984	354, 379	588	213, 106	1, 201	151
March	5, 328	304, 957	250	392, 628	1, 462	86
April	6, 477	450, 158	841	316, 527	1, 477	226
May	7, 456	557, 407	151	327, 679	746	76
June	7, 587	626, 135	551	392, 103	4, 639	917

Summary of collections since inception

Federal	$7, 452, 622
State	6, 489, 225
NDSL	96, 069
Cuban	88, 811
Total	14, 126, 727

Preclaim mailgram assistance (Began Feb. 1, 1972) June cumulative

Requests received	12, 091
Mailgrams sent	11, 050
Responses [1] :	
Positive	21, 532
Percent	38. 6
Negative	34, 366
Percent	61. 4
Total	55, 898

[1] Of the 169,394 mailgrams sent, lenders have reported results on 55,898. Lenders have 30 days in which to respond. 16,809 were reported as undeliverable.

APPENDIX B

Organizational chart of the Office of Education, defaults collection—Secretary of DHEW, Commissioner of Education, Director office of claims and collections, ten regional directors

Ten regional directors:	*Staff as of June, 1974*
I Boston	3
II New York	7
III Philadelphia	5
IV Atlanta	15
V Chicago	12
VI Dallas	31
VII Kansas City	4
VIII Denver	9
IX San Francisco	44
X Seattle	5
Total	135

Appendix D

Proposed Legislative Draft

A BILL to amend the Higher Education Act of 1965 to provide that the Commissioner of Education be granted authority to contract private collection agencies to collect claims due and owing under the Guaranteed Student Loan Program and related programs

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Title IV, Part E of the Higher Education Act is amended by inserting a new section 501 to read:

The Commissioner of Education shall have authority to contract a private collection service or services to collect claims due and owing under the Guaranteed Student Loan Program (Title IV, Higher Education Act of 1965); a program to further the purpose of, or parts of, the Higher Education Act of 1965. The Commissioner shall include in every contract so made reasonable conditions to safeguard the student borrower. The Commissioner shall by petition grant exemption from collection to certain student borrowers.

Mr. Simon. That concludes the meeting. The subcommittee is adjourned, subject to the call of the Chair.

[Whereupon, at 11:45 a.m., the committee was adjourned, subject to the call of the Chair.]

THE STUDENT FINANCIAL AID ACT OF 1975

TUESDAY, APRIL 8, 1975

House of Representatives,
Subcommittee on Postsecondary Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10:10 a.m., pursuant to call, in room 2261, Rayburn House Office Building, Hon. James G. O'Hara [chairman of the subcommittee] presiding.

Members present: Representatives O'Hara, Thompson, Blouin, Simon, Mottl, Hall, Erlenborn, Eshleman, and Smith.

Staff members present: Jim Harrison, staff director; Webster Buell, counsel; Elnora Teets, clerk; Robert Andringa, minority staff director; and Bill Diefenderfer, minority research associate.

Mr. O'Hara. The Subcommittee on Postsecondary Education will come to order. At today's hearing we will continue to receive testimony with respect to H.R. 3471 and other bills dealing with title IV of the Higher Education Act of 1965.

Our witness today will be Dr. Virginia Y. Trotter who is Assistant Secretary for Education in the Department of Health, Education, and Welfare. Dr. Trotter will be accompanied by Dr. Terrel H. Bell, who is the Commissioner of Education, and Mr. Charles M. Cooke, who is the Deputy Assistant Secretary for Legislation—Education.

We would like to hear from you very much, Madam Secretary.

Dr. Trotter. Thank you.

STATEMENT OF HON. VIRGINIA Y. TROTTER, ASSISTANT SECRETARY FOR EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY TERREL H. BELL, U.S. COMMISSIONER OF EDUCATION; AND CHARLES M. COOKE, JR., DEPUTY ASSISTANT SECRETARY FOR LEGISLATION—EDUCATION—DHEW; EDWARD T. YORK, JR., DEPUTY COMMISSIONER FOR MANAGEMENT, OE; S. W. HERRELL, ACTING DEPUTY COMMISSIONER, BUREAU OF POSTSECONDARY EDUCATION, OE; KENNETH A. KOHL, ASSOCIATE COMMISSIONER, OFFICE OF GUARANTEED LOANS, OE; JOHN D. PHILLIPS, ASSOCIATE COMMISSIONER FOR STUDENT ASSISTANCE, BUREAU OF POSTSECONDARY EDUCATION, OE; RICHARD J. ROWE, DEPUTY DIRECTOR, DIVISION OF STUDENT SUPPORT AND SPECIAL PROGRAMS, BUREAU OF POSTSECONDARY EDUCATION, OE; PETER K. U. VOIGT, DIRECTOR, DIVISION OF BASIC AND STATE STUDENT GRANTS, BUREAU OF POSTSECONDARY EDUCATION, OE

Dr. TROTTER. Mr. Chairman and members of the subcommittee, in preparing for these hearings and for the hearings which will be held also by other committees of the Congress, we in the executive branch have been for some months endeavoring to review the Federal student assistance role.

I would like to review with you the positions to which we have been led by our discussions. Such a review will, I think, be useful in indicating the features of the higher education legislation which we hope will result in your deliberations.

The outcome of your actions will have major influence for years to come on the vitality of our system of higher education and on the kinds of educational opportunities available to all our fellow citizens.

The major question which must be addressed is: What is the purpose of Federal support for general educational goals of higher education?

Such support for higher education currently amounts to $3.4 billion, exclusive of veterans' educational benefits under the GI bill, and research.

We believe two Federal roles of general support can be defined for higher education:

First, there is the purpose of increasing access to post-secondary education by concentrating resources on direct financial aid to students on the basis of need.

Second, there is the purpose of encouraging a diversity of educational programs which will be responsive to the particular educational needs of our citizens.

If these are the general purposes of general Federal support for higher education, the question is: How can they thus be best achieved?

Let me reaffirm the administration's view that the best way of achieving these goals is usually through student aid, rather than through general financial support for institutions.

Institutional aid formulas are prone to unintentional bias, tend to create artificial incentives, are difficult to target fairly, and invite detailed regulation of the educational process.

On the other hand, student aid ultimately results in revenues for colleges and universities which also contributes to their financial viability. Moreover, it has the advantage of providing this support in a way which permits the maximum impact of available Federal dollars on the goal of extending educational opportunities.

It also encourages institutions of higher education to be responsive to the educational needs of our people through the mechanism of student choice, rather than through an elaborate system of regulation.

If general Federal support for higher education should primarily be in the form of student aid, which type of student aid should have a priority claim on Federal funds?

Student earnings and student loans will continue to be an indispensable part to the many students in financing their higher education costs. However, we believe that the major part of Federal budget resources should be devoted to student grants for very straightforward reasons.

Private, unsubsidized employment can and does provide students with earning resources which dwarf what the Federal Government can do. The earnings of full-time undergraduate students alone exceed $5 billion a year.

Private credit can and does provide a vast volume of lendable funds for student loans. Over $6.8 billion in loans have been made in the guaranteed student loan program alone. Only public and philanthropic student resources are available for student grants.

The Federal Government does and should continue to encourage the private sector to provide jobs and loan to students, but, if the Federal Government does not provide grant funds, they will not be available in equivalent magnitude from other resources.

If the Federal role in providing grant assistance is, therefore, crucial, we must ask what the criteria for awarding Federal grant funds should be. This leads us to the familiar arguments about whether student aid should promote access or choice.

Since they are both important goals, it is worthwhile to define these terms carefully. By "access," I mean the goal of providing reasonable assurance that the sum of current resources available to the student should be enough to enable him or her to attend at least the kind of low-cost college increasingly available in many of the States, and to do so without borrowing.

By "current resources," I refer to the amount a student's family can be expected to contribute with reasonable effort, the amount he can be expected to earn with reasonable effort, and his grant aid.

The amount families can be expected to contribute is, of course, a matter of continuing controversy. The amount a student can be expected to save from summer earnings is estimated by the college scholarship service at between $500 and $700. With modest term-time earnings, the student's contribution can be expected to range between $800 and $1,000.

The goal of choice, on the other hand, I would define as the aim of assisting students, with a combination of current resources and loans, to attend any one of a broad spectrum of institutions, including at least moderately expensive institutions in the $3,000 to $4,000 cost range.

The administration strongly favors authorizing legislation for the Federal Government under which it would contribute modestly to the goal of access and the goal of choice stated in terms of these modest definitions. Access to higher educational opportunities is a major underpinning of the broader national goal of equal opportunity.

Personal freedom to choose where and how an individual will seek to equip himself for his life's work is important. Choice aids the health and autonomy of our educational system. Without it, we have less chance of reaching a system which responds to the needs of individuals rather than to the commands of Government.

Accordingly, to the extent feasible, we should go beyond assisting access and also help make it possible for students to choose the kind of education they want.

It follows from the principles I have outlined here that the basic grant program should be the foundation of higher educational legislation.

The program, if funded, should permit a maximum grant of $1,400 for all classes of students, eligible students, and would assure access in the terms I have defined.

As you are aware, Mr. Chairman, if we receive the carryover authority we have requested, we will reach this full funding level for all three classes of students in the upcoming academic year.

Your committee may wish to consider whether the half-of-cost rule of the program should be changed to a half-of-need rule. That is, cost less family contribution.

The change would also permit an upward adjustment of the $1,400 maximum, provided that other features of the program are not changed in ways that would increase total budget cost.

In our analysis of this possibility, we have determined that the general effect of such a change would be as follows:

At a model institution, for example, some low-cost students with different costs or need would get the same size grant under the present half-of-cost limitation.

Furthermore, the half-of-cost limitation means that eligible students of low-cost schools whose family contributions are nearly equal to one-half of cost have little or no need to contribute their own earnings.

Other students who have either similar family contributions or higher cost would have to contribute substantially from their earnings.

Neither anomaly would exist with a half-of-need limitation. We thought it would be beneficial to present these implications for the committee's consideration.

We do not have on the statute books a program which effectively and equitably supports the goal of choice. We strongly support the college work study program and would like to see improved ways of channeling funds to students who are unable to find private sector jobs.

With the other campus-based programs there is a major difficulty. Neither Supplemental Educational Opportunity Grants nor National

Direct Student Loans distribute funds in such a way that students of equal need are assured they will receive equal assistance.

It is difficult to see any justification for differing the treatment of students of equal need because they attend colleges in different States or are regarded differently by student aid officers at different institutions.

What, then, should a Federal effort to achieve a goal of choice look like? The place to start is with the basic grants program. Although the resources now devoted to the program mainly contribute to achieving the goal of access, we believe that a factor favoring choice is built in by the half-of-cost rule and would be strengthened by a half-of-need rule.

This results from the fact that a student who, for example, would receive a $800 grant at a community college could receive a $1,400 grant at almost any high-cost college or university.

In other words, the Federal Government through the program would share in the increased cost assumed when the student chooses a more expensive educational program.

Accordingly, one way to look at the problem of combining support for choice with support for access is to examine alternative ways of changing the basic grant formula and then to consider how such possible changes would impact on the choice and access objectives.

One such change might be an increase above the present $1,400 grant maximum. The contribution of the basic grant program to the goal of choice would grow automatically with such an increase in the grant maximum. It would automatically increase the number of students who could receive larger grants if they chose a more expensive college. The basic grant program, therefore, has the potential of becoming a major support for the goal of choice.

Increasing the ceiling also increases the number of middle-income students receiving significant grant awards, since they would no longer be limited to families which can afford to pay less than $1,400.

However, while additional middle-income students would benefit, the assurance of access to low-income students would be maintained and they would receive more support in terms of choice.

Another possible change in the basic grant formula would eliminate any cost or need limitation in the making of awards. The effect of such a change would be to reduce the amount of earnings which a low-income student would be expected to contribute toward his educational expenses in order to attend a low-cost institution.

Since all students who attend higher cost institutions and have need are normally expected to make a contribution from their own earnings, we do not see a valid rationale for this possible change.

We believe that when the goal of access is reasonably assured, we ought to devote the remaining available resources to the goal of choice.

Another widely discussed change, with exactly the opposite tendency to that just considered, would be to reduce expected family contributions used in calculating awards.

Whereas the previously considered change would concentrate marginal resources on the lowest-income students, this one would concentrate resources exclusively on students who are not poor.

This is because students from really low-income families are already expected to provide little, if anything, from family resources. Accordingly, only relatively better off students would benefit from statutory or regulatory easing of family contribution scales or rules.

Let me point out further that such a change in basic grant rules would do virtually nothing toward the goal of choice. It would provide grants or larger grants to students from middle-income families who happen to attend higher-cost colleges, but it would not provide for Federal sharing in the difference between costs at alternative institutions.

That is, a student benefiting by the change would not receive a greater benefit because of higher college costs.

Accordingly, we would oppose such a change in family contribution rules unless strongly supportable on other grounds.

It is not enough, however, to comment on the relative merits of different possible changes in the basic grants rules in order to make it both a program for access and a program for choice.

Your committee will also be examining the balance among Federal programs in higher education and will be looking at total Federal costs. I should, therefore, give you our perspective on these problems also.

Here a useful starting point is the fiscal year 1976 budget. It shows a request of $1.050 billion for the basic grants, $250 million for the work-study, $44 million for State Student Incentive Grants, and funding for the student loan programs of $683 million.

As you know, these figures stem from a careful weighing of all the claims on Federal fiscal resources in a period when restoring the Nation's economic health requires stringent limitations on any new Federal spending program.

We, therefore, believe that any new higher education legislation must be designed in such a way that programs will make sense if funded within current budget constraints.

The budget itself proposes part of the solution, to rely on a fully funded basic grant program, on the work-study program, on a growing Federal/State partnership, and on guaranteed student loans, rather than continuing the SEOG program or continuing Federal capital contributions to the NDSL program.

Any changes in the basic grant program to make it a program more supportive of the goal of choice will require further difficult decisions between competing priorities.

There would appear to be two directions in which we can look for the additional funding which might be involved in a more effective national approach to the goals of both access and choice.

One of those sources is the group of Federal loan programs. As I have already indicated, we believe that it is unwise to provide additional Federal capital contributions for the NDSL program, funded in fiscal year 1975 at $321 million, since there is the alternative of raising private capital for student loans.

We also think that interest subsidies at their current levels involve a poor allocation of resources. It is unjustifiable with today's interest rates that an NDSL borrower should never have to pay more than 3 percent in interest. This is a standing invitation for students to postpone repaying their NDSL loans as long as possible.

It is also inequitable to charge equally needy students markedly different rates, and it has greatly depleted the real purchasing power of institutional NDSL resolving funds which would have assets worth on the order of half a billion more if an interest rate of 7 percent, rather than 3 percent, had been charged over the last decade.

The other direction in which we may look for help in making student aid programs more effective in simultaneously meeting the goals of access and choice in the States.

We are encouraged by the beginning being made by many States in response to the authority contained in the State student incentive grant program. However, it is still true that four States now account for over 60 percent of State-funded student aid.

Many other States devote their funds for higher education almost exclusively to institutional support. This pattern of predominance of institutional support does promote low tuition at public institutions, but it does not take into account the differing financial needs of lower, middle, and upper income families, nor does it help students to afford private or public high-cost institutions.

I believe the States should be consulted concerning their role in achieving the goals of access and choice before the Congress makes any final decisions on the shape of the higher education legislation now before it. A modestly greater State emphasis on student aid could make a substantial contribution.

Now that the need to expand the physical plant and facilities of State institutions has abated, a good use for State resources would be student aid programs which promote choice.

We noted with interest that a witness before the subcommittee last week indicated that additional State funds would be available for use in student aid. Federal/State collaboration in pursuing this goal could take many forms.

At a minimum, there should be a serious effort to coordinate Federal student aid in the form of basic grants with aid under a Federal/State program. This coordination could take a very direct and simple form.

For example, the States could be offered Federal matching toward making up the difference in cost between a Federal basic grant program with an award ceiling of $1,400 and a Federal/State program with a higher ceiling.

This would increase automatically public sharing in the costs of choice and the number of middle-income students qualified for grants.

There are other models for coordination of Federal and State programs also. At a minimum, we believe that Federal resources should be committed to a Federal/State matching approach only if students attending the full range of institutions eligible for basic grants are included, wherever located, and if awards are proportional to need.

We believe also that any formula for distribution of Federal matching funds, among the States should be based primarily on aggregate need, and should not be biased for or against States which have chosen to rely primarily on public or private institutions.

To conclude this overview, Mr. Chairman, let me stress how important we consider the efforts of your committee to renew the Federal higher education legislation.

Your committee is undertaking this task at a time when only the clearest set of priorities will enable the Federal Government to make its greatest possible contribution to the opportunities of our millions of students and to the health of our system of higher education.

It is for this reason that I have explored with you the basic choices which we must face in deciding on the shape of the higher education legislation.

Mr. Chairman, I have attempted to give you an overview of the Administration's policy on student assistance. I should now like to ask Commissioner Bell to provide you with a detailed response to H.R. 3471. After his presentation, we will be pleased to answer any questions you might have.

STATEMENT BY HON. TERREL H. BELL, U.S. COMMISSIONER OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

Dr. Bell. Mr. Chairman and members of the subcommittee, I have a much more detailed statement for the record.

Mr. O'Hara. Without objection, the detailed statement will be entered in the record.

[The document referred to follows:]

Prepared Statement of Hon. T. H. Bell, U.S. Commissioner of Education, Department of Health, Education, and Welfare

Mr. Chairman, and Members of the Subcommittee: I am pleased to appear before you today to comment on H.R. 3471, the Student Financial Aid Act of 1975.

In making my comments today, I am sensitive to the fact that the bill in question is the result of extensive hearings and prolonged examination of the numerous and complex issues that underlie the Federal efforts to assist students. Many individuals and groups have participated and have contributed a variety of opinions and proposals relative to improvement of these efforts. The bill that has emerged from these deliberations is comprehensive. As is nearly always the case, however, with proposed legislation that attempts broad and sweeping reforms in an area filled with complexity and controversy, there are parts of the bill that obviously merit support as significant improvements, there are parts of the proposal that seem to require further debate and justification, and there are other parts of the bill that must be questioned seriously in terms of their purpose and effect.

It must be realized that H.R. 3471 represents a significant change in the philosophy that has until now justified a Federal presence in the support of young people seeking a postsecondary education. Heretofore, Federal programs of student financial aid have been justified in terms of equalizing educational opportunity. Such efforts have been in recognition of the fact that participation in postsecondary education has been for too long denied to substantial numbers of young people as a result of income differences and with a resultant loss of talent to the Nation. Federal efforts have contributed to an equalization of opportunity, but much remains to be done before financial barriers to the pursuit of education have been removed. Because these barriers have been and remain primarily financial, assistance to students has been based in existing programs on need as a function of family income. The present proposal, in a large measure, abandons need as the primary criterion for receiving Federal student assistance. We cannot agree with such a change in procedure or emphasis. We would urge that the goal of equalizing opportunity remain the foremost priority of Federal student assistance efforts, and that we continue to concentrate the limited funds available on those young people with the greatest financial need.

H.R. 3471 eliminates any measure of need for participation in the College Work-Study and State Student Incentive Grant Programs; it introduces proof of "academic promise" as a prerequisite to participation in the Supplemental Educational Opportunity Grants Program; it places an arbitrary ceiling on the Basic Educational Opportunity Grant Program; it increases substantially those eligible to participate in the TRIO programs by the inclusion of veterans, thus reducing the resources available to assist the disadvantaged; and it permits existing National Direct Student Loan funds now in the hands of institutions to be loaned in the future solely at the discretion of the institution without mention of need as the primary criterion for making these loans. Such proposals represent a significant departure from a long-held Federal policy of equalizing educational opportunity. Given rising educational costs and limited Federal resources, it seems now more than ever that the funds available must be directed towards those with the greatest financial need.

Further, the proposed modification of the Supplemental Educational Opportunity Grant Program to limit participation to those who demonstrate outstanding academic performance, or clear promise of such performance, is particularly troublesome. The difficulties inherent in this limitation are substantial. Problems associated with measuring student ability in general, and low-income students in particular, are well known. All of these problems would be compounded, if some sort of measurement for academic promise became a criterion for participation in a Federal student aid program. This is true not only in assessing academic promise for traditional institutions of higher education, but become an even more acute problem in attempting to measure promise for the kinds of training provided by proprietary vocational schools. It would appear, then, that this requirement of H.R. 3471 is unrealistic and could be grossly inequitable, if implemented.

H.R. 3471 requires that both the Supplemental Educational Opportunity Grant Program and the College Work-Study Program be funded at specified levels as a pre-condition to the funding of the Basic Grant Program. We are strongly opposed to limiting funding for the Basic Grant program by a requirement to first fund any other student assistant program, especially those which are not equitable in their application when compared with a national needs standard.

We agree with the widespread support that has been expressed for work opportunities for students. The College Work-Study Program has made a significant contribution to increasing the availability of postsecondary education to young people. However, we believe that with limited resources, we must continue to insure that students with demonstrated financial need have priority of access to work opportunities. We would also suggest some caution about increasing the proportion of Federal student financial assistance that is made available in the form of work opportunities, at the possible expense of Federal grant assistance, since grant support is a relatively scarce resource, while work opportunities are available in the private sector. Estimates of the total dollar value of jobs provided students by the private sector range as high as $5 billion per year. The Federal work-study program should be funded only at the level necessary to insure work opportunities to those needy students who would otherwise be unable to fulfill their postsecondary educational aspirations.

We are pleased to note that H.R. 3471 continues reliance on the Basic Educational Opportunity Grant Program as the cornerstone of Federal student assistance efforts. It will, however, become the true entitlement it was intended to be only when the Congress provide the appropriations necessary to fully fund the program. Further, we concur with the provisions of H.R. 3471 that would terminate future Federal contributions to the National Direct Student Loan fund. We have consistently urged such a course of action for a number of years. We also applaud the elimination of the NDSL cancellation provisions which are no longer needed in the program. Finally, we agree that the Cooperative Education Program would be improved and provide greater flexibility as a result of some of the changes suggested in the bill.

I should now like to turn to specific comments which we have on each portion of the bill. Before I do so, however, I should like to make one point.

While we must differ with much of what you propose in H.R. 3471, we want to stress the fact that we share the common conviction of those who have contributed to the drafting of this measure that it is in the national interest to assist young people in the achievement of their educational goals.

It is only in regard to means that we differ.

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

We have made a thorough review of the Basic Grant portion of H.R. 3471 and have the following comments:

1. The first major area of concern is the elimination of the one-half cost limitation on awards. Your committee may wish to consider whether the half-of-cost rule of the program should be changed to a half-of-need rule (cost less family contribution). The change would also permit an upward adjustment of the $1,400 maximum, provided that other features of the program are not changed in ways that would increase total budget cost.

In our analysis of this possibility we have determined that the general effect of such a change would be as follows:

At a model institution, for example, some low-income students with different costs or need would get the same size grant under the present half-of-cost limitation.

Furthermore, the half-of-cost limitation means that eligible students of low-cost schools whose family contributions are nearly equal to one-half of cost have little or no need to contribute their own earnings. Other students who have either similar family contributions or higher cost would have to contribute substantially from their earnings.

Neither anomaly would exist with a half-of-need limitation. We thought it would be beneficial to present these implications for the Committee's consideration.

2. A second related concern is the proposed maximum award ceiling in H.R. 3471.

As I am sure you are aware, the thrust of Federal student aid programs has been to provide both access and a degree of choice to students desiring to continue their education beyond the high school level. In order to achieve this goal, the Basic Grant must be the "floor" of the financial aid package. However, if the "floor" is to be an effective aid to financing postsecondary study, the award levels must be meaningful amounts. We would therefore recommend that the $1400 maximum award level not be reduced in order to assure access and choice to qualified persons pursuing postsecondary education.

3. A third major concern is expanding the student eligibility criteria to include any student who is enrolled in an eligible institution of higher education. As you know, for the 1975-76 academic year, Basic Grants will be available to all eligible first, second, and third year undergraduate students who are enrolled on at least a half-time basis. Therefore, eligible students who cannot pursue postsecondary education on a full-time basis will be able to receive Basic Grant assistance.

We are opposed to extending eligibility to include students enrolled on less than a half-time basis for a number of administrative reasons.

First is the development of the schedule itself. As you may be aware, one of the difficulties we have encountered in the operation of the Program has been the definition of full-time student. While on the surface it would appear very simple, there are so many measurements of academic progress (credit hours, clock hours, course completion, combinations of clock hours and credit hours, etc.) that it has been very difficult to develop a definition of full-time student which could take all of these factors into account.

In dealing with part-time students for academic year 1975-76, we are planning to simply define half and three-quarter time enrollment in terms of fifty and seventy-five percent of the requirements for full-time enrollment. However, if students enrolled on less than a half-time basis are eligible for Basic Grants, we would have to develop a reduction schedule which could encompass all of these various types of less than full-time enrollment.

In addition, we would have to develop very complex payment procedures to accommodate students enrolled for as little as one hour per week. These procedures would have to be designed in such a manner as to assure that all students are treated in a consistent and equitable manner which we feel is a requirement embodied in the entitlement concept of the Program.

4. Another issue we would like to raise today is the proposed elimination of assets in the Family Contribution Schedules. It is our firm conviction that assets *do* indeed contribute to the financial strength of families. This conviction is shared by the College Scholarship Service and the American College Testing Program, as evidenced by the inclusion of assets in their need analysis systems.

As I am sure you know, Mr. Chairman, the treatment of assets in the Basic Grant Family Contribution Schedules has been a topic of continuing discussion since the first year of the Program's operation. We believe, and hope you will agree, that over these years we have maintained an open communication mechanism between OE staff and this subcommittee. We are hopeful that such a relationship can be continued and even improved upon as we work together each year in the annual Congressional review of the Family Contribution Schedules.

While there may exist some degree of disagreement on the treatment of assets, we also have a firm conviction that eliminating assets from the calculation of expected family contribution would be both costly (about a thirty percent increase at full-funding) and inequitable. It would be difficult, for instance, to justify the same degree of need of families of similar size and income when one of those families has considerable net asset holdings and the other does not have this financial advantage.

5. We would also like to point out that we are in agreement with the concept of improving the timing of the Congressional review process for the Family Contribution Schedules. As you may recall, we have long supported a July 1 deadline to publish for public comment the Family Contribution Schedules for the succeeding academic year.

However, the schedule which is included in H.R. 3471 appears to delay the final approval until February 15. The steps involved appear to be as follows:

A. *July 1*—Publication in the *Federal Register* under proposed rulemaking procedures.

B. *August 1-31*—Review and analysis of public comments received and incorporation of appropriate amendments to Family Contributions Schedules.

C. *September 1*—Family Contribution Schedules submitted to President of the Senate and Speaker of the House of Representatives.

D. *September 1-December 1*—Required 90-day Congressional review period.

E. *January 1*—Republication of Family Contribution Schedules in *Federal Register* as final regulation (45 days prior to effective date).

F. *February 15*—Family Contribution Schedules effective (assuming no objections).

While we could submit our application forms and materials for printing after the 90-day Congressional review process is completed, given the volume of the print order, this procedure still would preclude the possibility of our having these materials available to students and institutions before mid-February.

As an alternative, we would recommend that the Congressional review process begin on July 1 at the same time the Family Contribution Schedules are published for public comment, and perhaps be extended to 120 days to allow your subcommittee and your Senate counterparts additional time to hear testimony from interested parties and organizations.

With this change, we would be able to finalize the application materials for printing by November 1 and distribution could begin in early January.

6. We have already discussed the concerns we have regarding the elimination of assets in the Basic Grant Family Contribution Schedules. There is, however, another problem with the Schedules as described in H.R. 3471: the treatment of veterans' educational benefits.

As you may recall, when we testified before you on the 1975-76 Family Contribution Schedules we recommended a change in the treatment of effective income of the student (all social security benefits paid to or on behalf of a student because he is a student and one-half of veterans' educational benefits). The proposal we offered, which was incorporated in the Schedules for next year, was to include the effective income of the student with regular family income and made subject to the same offsets and assessment rates as family income.

At the time we presented this proposal, we stated that its purpose was to benefit social security recipients who often rely on these benefits for family maintenance rather than for educational purposes. However, since the legislation defines student effective income as both social security and veterans educational benefits, this same advantage was also extended to recipients of given veterans' benefits. We further indicated that we felt that this gave veterans' benefits recipients an unfair advantage because only half of their benefits are considered in the Schedules and that, as a result, we would be offering a legislative amendment to treat veterans benefits in a more equitable manner.

This is still our position, Mr. Chairman, and we strongly urge you to reconsider the treatment of veterans' educational benefits.

7. We wish to register our concern about the provisions of the bill for dealing with the possible situation of insufficient funding to permit maximum grants of $1,400. We hope this is a moot point, for, as you know, the Administration has consistently sought full funding for the Basic Grants program. But since a provision for this situation needs to appear in the statute, we feel we should indicate our preferences.

Those who were participants in the original Basic Grants legislation will remember that this matter of "reduction" formulas was a major area of controversy. The Administration recommended an authorization to reduce the grant ceiling if funds were insufficient to make awards on the basis of the $1,400 ceiling. We still think this is the preferable course, because this mechanism would result in the smallest percentage reduction in the awards of students from the lowest income families, for whom student aid is most critical to decisions to continue their education at all. The next best mechanism in our view is a schedule of reductions along the lines incorporated into the 1972 law. It is excessively complicated, but it does give a preference to the lowest income students. Third, and last in our order of preference is a pro rata reduction mechanism, such as that included in H.R. 3471. If, however, a pro rata mechanism receives further consideration by your committee, we would prefer that it take the form proposed in H.R. 3471, rather than that appearing in the present law for reductions below the scheduled reduction level. That is, it is preferable to reduce actual awards on a pro rata basis rather than to reduce "entitlements" on such a basis.

8. We are pleased to note that H.R. 3471 eliminates the existing "redistribution" requirement which is triggered whenever there are any unexpected funds in an academic year. As I am sure you know, this provision is one we have long opposed and have recently submitted legislation to repeal.

However, we do have some concerns about transferring any unexpected funds to the College Work-Study Program. First, we would have serious objections if the Basic Grant Program in the following year were not fully-funded and unexpended funds could not be used to achieve the highest award levels possible. In addition, as I have already indicated, we have major reservations about substituting employment for limited grant assistance. Grant aid is available from relatively few sources and in comparatively limited dollar amounts. Work resources, on the other hand, have always been available in much greater amounts from the private sector. In fact, full-time students in postsecondary schools are now earning about $5 billion per year.

Therefore, we would strongly recommend that the carryover authority we recently requested from the Congress be incorporated in any new legislation for the Basic Grant Program rather than establish a mechanism for transfer of unexpended funds to other programs.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAMS

We believe that full funding of the Basic Grants Program, in combination with the State Student Incentive Grant Program, the Guaranteed Student Loan Program, and some campus-based employment component, would eliminate the need for the SEOG Program. The funds requested for that program divert funds from the purpose of access contained in the BEOG Program. Therefore, the Administration opposes the continuation of the SEOG Program in any form. It it were to be continued, we would strongly object to the concept contained in H.R. 3471, which we believe fundamentally conflicts with our commitment to provide equality of access on at least two grounds, as follows:

(1) We strongly oppose the introduction of a merit test. The fundamental criterion of eligibility for the Federal student financial aid programs is, and should continue to be, demonstrated financial need. As long as the student's academic performance is sufficient for acceptance and continued good standing at an eligible institution, no further academic test is necessary or desirable. The measurement of merit is a delicate and controversial matter under the best circumstances, and there is much evidence that performance on standardized tests is sometimes a poor predictor of academic performance. We believe that a merit test would create unnecessary dissension and confusion if used as a primary standard of eligibility for a Federal student financial aid program.

(2) If SEOG is retained in the form proposed in H.R. 3471, it would more likely influence student choice of institutions rather than motivate participation in postsecondary education, and would probably result in nearly all the funds being spent at relatively high-cost institutions. Without a maximum award ceiling, the Federal government would be underwriting the full difference between an SEOG recipient's attendance at a relatively low-cost institution and a high-cost one. While this feature admirably serves the goal of choice, it serves it at very high expense to the goal of access, and means that the funds are concentrated on a relatively small number of students. In addition, the effect of the combined programs would be unfair in that a student failed the Basic Grant needs test by just a dollar of family contribution would not be able to compete for the large SEOG awards.

GRANTS TO STATES FOR STATE STUDENT INCENTIVES

The State Student Incentive Grant Program has operated effectively to encourage increased investments by State governments in student assistance. Some 27 States had scholarship and grant programs in operation before the initiation of SSIG. In the first year of the program (1974–1975), 14 additional States have begun grant programs, and 9 additional States and territories may initiate grant programs by June 30, 1975.

Some national parameters are required if the program is to continue its contribution to the broad policy goal of assuring access to postsecondary education to students with "substantial financial need."

The proposed legislation does not define "eligible student' 'in terms of substantial need or undergraduate students only. To eliminate these national standards could result in the awarding of SSIG funds to any student, graduate or undergraduate, needy or non-needy. Such a shift in the historical pattern of student eligibility for awards, coupled with the removal of the present $1,500 annual ceiling on individual student grants, could result in major shifts in the population served by this program.

The proposal to permit the use of SSIG funds to subsidize low or zero tuition institutions presents very significant problems. A program which presently provides significant assistance to students with "substantial need" would be reduced to relatively few dollars per student (non-needy & needy) if those funds were applied to the entire enrollment, thus greatly diminishing the impact of Federal funds. Moreover, channeling funds exclusively to low-cost public institutions would have a major and adverse impact on the already widening gap between public and private costs of education, particularly in those States having a substantial investment in private education. At the same time, it is also conceivable that such a program could raise the overall costs of investment in additional public education facilities. The significant contributions of private postsecondary education would be in even greater jeopardy than at present.

We oppose changing to the allocation formula specified in the bill. An estimate of the allocation of funds under the proposed formula indicates that 10 States in the northeast region would receive 19 percent of the SSIG funds (with half that amount concentrated in New York State) instead of their present 28 percent allocation. At the other extreme, California would receive over 25 percent of the SSIG funds instead of about 15 percent under the present allocation formula. Two States with relatively high tuition or with a major private sector investment in postsecondary education would receive no funds at all under the proposed allocation formula. It should be noted, moreover, that the proposed estimates have been changed twice, and may yet contain serious inaccuracies.

Reaction to the present SSIG legislation has been generally favorable among the States, and the program has been functioning well. It would be useful to obtain information and opinions concerning the program from the States which are presently participating in SSIG before any major changes are seriously considered.

Finally, we would like to see SSIG's made available to students attending postsecondary institutions out-of-state and to students attending both public and private schools.

STUDENT SPECIAL SERVICES PROGRAMS

As you may be aware, my staff recently shared with your staff a comprehensive report from a Task Force on the Disadvantaged and Postsecondary

Education which sets forth recommendations for recasting these programs on the basis of a six-month study and research effort involving a wide range of governmental and non-governmental parties, working under the general direction of Dr. Leonard H. O. Spearman, Director of the Division of Student Support and Special Programs in the U.S. Office of Education. I am presently undertaking a detailed review of that report and its recommendations for modification of the student services authorities. Although that review is by no means complete at this date, I think it would be appropriate to share with you some of the broad concepts which you may wish to consider in approaching the question of new legislation in the student services area.

The first point to be made is that the four currently authorized programs which are designed to provide special services to disadvantaged students (Talent Search, Upward Bound, Special Services for Disadvantaged Students and Educational Opportunity Centers) need to be refined and recast to increase the possibilities for a coordinated approach to the needs of the disadvantaged.

The current programs have developed over an entire decade of legislation, in different agencies, and have been amended to serve quite unrelated populations. These factors have created administrative complexities, and, in some cases, an unnecessary duplication of services. The grafting into these programs of the entire veterans' population as a separate and distinct target group would immensely complicate an already very complex set of problems. As you know, we have consistently opposed funding of the Veterans' Cost of Instruction Program on the grounds that it diffuses limited resources over a vast population with little measurable impact. In the context of your legislative review activities, we would suggest to you that the addition of all veterans, whether disadvantaged or not, to the population served by the student services authorities would have the effect of further diffusing those efforts to assist the disadvantaged (including disadvantaged veterans), and invite the risk that these programs would, in turn, lose their measurable impact on the target population of disadvantaged students they were designed and intended to serve. We estimate that 660,000 veterans would be eligible under his provision in the current academic year, and this number may increase to as many as 1,000,000 in the 1975–76 academic year.

The second point is that we need modification of the four existing student services program authorities which we have supported in our budget proposals to permit their operation as a coordinated effort to deal effectively with the problems of the disadvantaged in postsecondary education. Current legislation and H.R. 3471 continue to present the Office of Education with conflicting language, inappropriate populations, and duplicative services that are difficult to coordinate because a single consolidated education thrust is not the central theme of four programs that have originated at different times and in answer to different needs.

COLLEGE WORK-STUDY PROGRAM

The Administration concurs with Congressional support of the Work-Study Program which is reflected in H.R. 3471.

Consistent with our underlying philosophy which I expressed at the beginning of this statement, we believe that this program should continue to be need based. Thus, we would oppose the removal of demonstrated financial need as the primary criterion for eligibility, as proposed in H.R. 3471. Low-income or high-need students, particularly in high unemployment and urban areas, sometimes find it especially difficult to obtain employment as a means of offsetting educational costs. If we are truly attempting to make available a realistic package of financial aid to needy students, we must not divert funds, through liberalized or no-need eligibility criteria, from the group of students who need them the most.

In order to increase the amount of work-study funds generated by the Federal contribution, we believe you may wish to consider a lower matching ratio than the present 80:20 Federal to non-Federal ratio. A lower matching ratio would not seriously impair the program's accessibility to institutions, while generating much higher levels of student financial aid.

We have several comments with respect to the CWSP allotment and allocation provisions of H.R. 3471, as follows:

(1) We propose that the two special reservations of funds for the outlying areas be discontinued. The special allotment for the five outlying areas has

consistently produced higher funding levels (in terms of panel-approved requests fulfilled) for those areas than for the 50 States and the District of Columbia, and we see no reason to insure such a result. The separate program for grants to institutions for students from American Samoa and the Trust Territory of the Pacific Islands attending institutions elsewhere requires a separate application, award, and reporting procedure for both the Office of Education and for institutions, and is superfluous, since such students can be aided under the institution's regular CWSP award.

(2) While we agree with the choice of full-time enrollment as one basis for the State allotment formula, we believe that a need factor should also be considered and suggest that one measure would be to count all Basic Grant recipients in the formula.

(3) We note and concur with the provision to provide reallocation authority to the Commissioner, so that funds can be redistributed among institutions to reflect revised conditions, possibly on the basis of mid-year expenditure reports to supplement the annual fiscal-operations report.

We think the idea of job creation programs has merit, but suggest that the current Cooperative Education program legislation be modified to allow such activities.

COOPERATIVE EDUCATION

We applaud your efforts to expand and to make more flexible the program authorized under the Cooperative Education authority. We do, however, have a few suggestions to offer.

While a larger maximum grant would permit funding of a greater number of cooperative programs at a given institution, $350,000 would be, in our judgment, unreasonably high except for a very few (less than one percent) of the eligible institutions. An increase of $175,000 would permit much of the desired broadening indicated in H.R. 3471 while keeping the program open to more institutions. The average grant of $30,000 to $35,000 appears adequate to fund a single cooperative education program at an institution and would be increased at a decreasing rate for more than one program (e.g., if the first program was funded at $35,000, the second could operate at perhaps ten percent less, etc.).

Under present practice, consortia grants are limited to the number of institutions comprising a consortium times $75,000 (the present institutional maximum). The value of a specific consortia maximum is that it maintains a reasonable size for consortia and permits larger numbers of approved projects. The maximum proposed in H.R. 3471 offers no problems, particularly in view of a possible increase in the institutional maximum.

We support the language of H.R. 3471 which requires the Commissioner to give priority to applications showing "the greatest promise of success" as well as the criteria for establishing potential for success contained in the proposed legislation. This is an excellent amendment and would reinforce the program's efforts to encourage better projects.

The present law allows only *alternating* cooperative education programs (e.g. a semester of study, a semester of work, etc.). Many institutions, particularly public community colleges, find that *parallel* cooperative education (e.g., study in the morning, work in the afternoon) is more appropriate for career programs and that such scheduling makes it easier to find proper employment opportunities. It is recommended that this change be added to H.R. 3471.

NATIONAL DIRECT STUDENT LOAN PROGRAM

We concur that Federal capital contributions to the program should be discontinued. The Federal government has contributed over $2.8 billion in Federal capital contributions since the inception of this program, with the aggregate net worth of all the Funds estimated at $2.8 billion as of June 30, 1975. The NDSL fund thus represents a significant national asset that we cannot afford to ignore in attempting to insure equal educational access to all students.

We support your notion of a self-sustaining fund, such as that originally envisioned in 1958, and would propose certain modifications to achieve that result at the earliest possible date. Specifically, we concur with the proposal to provide continuing appropriations to reimburse institutions for the principal and interest cancelled under the various statutory provisions. We further suggest that all cancellations, except for death or permanent and total disability, be eliminated on all loans made after the enactment of any such amendment. We believe that the interest rate can and should be significantly raised, at least to equal the GSLP rate, without making the program significantly less attractive to low-income students, and thereby generating more income for each institution's revolving fund. We propose that the present repayment provisions and aggregate loan maximum amounts be continued.

If the NDSL is to be discontinued, we oppose the proposal to turn the fund over to each institution for use in student loan programs. We find no language in H.R. 3471 that would assure that the funds are to be awarded on the basis of demonstrated financial need. Additionally, we believe that the terms of the loans should be consistent at all institutions, so that a student receives the same treatment wherever he chooses to attend. We would therefore prefer to see the program continue with Federal regulation of recipient eligibility.

GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE PROGRAMS

The rewriting of the General Provisions part of Title IV raises a number of very far-reaching policy issues.

We would prefer to provide you with a detailed reaction to these provisions at a later date after further review.

Let me now turn to a discussion of the Guaranteed Student Loan provisions of H.R. 3471. There are several basic assumptions, primarily related to the purpose of the Guaranteed Student Loan Program (GSLP), which affect our comments on the provisions of this bill. These assumptions are as follows:

1. The objective of the GSLP is to increase loan accessibility for all eligible students and to decrease the default rate through sound and prudent program administration.

2. The GSLP is a program that provides financial assistance for all students. For middle income families, it offers a "loan of convenience" to enable such families to select the educational institution of their choice. For lower income and minority students it provides essential aid. The GSLP provides an opportunity to borrow a portion or all of the expected family contribution utilized for most student aid programs.

3. In order to accomplish the program's access objective, lenders must be encouraged to participate to the fullest possible extent, utilizing procedures which reflect effective and responsible management techniques. It is only through such lender participation that loan accessibility can be assured.

4. Loans should be guaranteed or insured by the most effective combination of State, private nonprofit and Federal agencies in order to provide maximum loan accessibility, lender and school participation, and program flexibility. The Federal Government should provide reinsurance and management support for guarantee agencies to assure their continued participation, increase their effectiveness, and supplement guarantee agency efforts where necessary.

5. Both annual and aggregate loan maximums should be flexible and realistically determined by taking into consideration the type and costs of education, other sources of financial aid and the potential earning capacity of the borrower to repay the indebtedness.

Following is a listing of the changes which would be made in the Guaranteed Student Loan Program if H.R. 3471 is implemented as proposed. After each change, we have indicated our comments.

1. *Under the proposed bill, the Federal Insured Student Loan Program (FISL) is phased out. States would be given six months after the second State legislative session ends to set up State guarantee agencies.*

We believe this proposal would severely limit accessibility of loans to many students if States decide not to operate their own programs because many existing guarantee agencies currently impose limitations on students, lenders and schools. For example, four agencies limit loans to full-time students. Twenty-three limit loans to residents of their State or impose time restrictions ranging up to 15 months. Nineteen do not approve all educational institutions which meet Federal statutory eligibility criteria. Three agencies guarantee less than 100 percent of the unpaid principal.

This has resulted in lender restriction because lenders will exercise more cautious lending criteria. Sixteen guarantee agencies have not allowed loan maximums permitted under the Federal Program and some have imposed more stringent repayment terms. Some of these restrictions have caused many lenders in guarantee agency States to participate in the Federal Program in order that they may assist all of their customers or students. Eliminating the Federal Program while permitting these guarantee agency restrictions to continue will mean that certain classes and income groups, mainly the poor, will be less able to obtain loans. FISL operates at least to some extent in every State, generally accommodating higher risk populations than the guarantee agencies. A useful indicator of this difference is the proportion of borrowers, including independent students, with adjusted family incomes of $6,000 or less. This group makes up 52 percent of cumulative Federal loan volume compared with 36 percent cumulatively for guarantee agencies. On a current basis, 45 percent of FISL volume and 29 percent of guarantee agency totals are for loans to students from this same income group. The proportion of vocational school borrowers has also been greater, accounting for approximately 37 percent of cumulative FISL loan volume and 6 percent of guarantee agency volume with current rates of 49 percent under the Federal Program and 6 percent under the guarantee agncies.

During Fiscal Years 1968 through 1974, all vocational school borrowers accounted for about 37 percent of total loans disbursed and nearly 60 percent of total defaults under the Federal program. Ninety-five percent of these disbursements and 98 percent of the defaults were for proprietary vocational school borrowers, making this group of students 1.7 times as likely to default as the general student. It should also be pointed out that some of the States in which the Federal Program is currently operating do not have constitutional authority to guarantee loans, and constitutional amendments are difficult and time-consuming to ratify. We believe that to eliminate the Federal program would not be in the best interests of students—particularly the poor.

2. *The proposed bill eliminates authorization for interest subsidy on direct State loan programs.*

We concur with this provision.

3. *H.R. 3471 eliminates the authorization for payment of administrative cost allowance.*

This provision is in current law and should be retained as there are lenders in nine States currently holding loans on which the one percent administrative cost allowance is payable. As this relates to loans made only during the period August 3, 1968 through April 1969, the amount of money required is small. However, without such authorization, we would have no authority to pay funds for this purpose.

4. *In addition the bill eliminates the authorization for advancing "seed money" to guarantee agencies.*

Of the $12.5 million authorized and appropriated as a result of the 1968 amendments to the program, only $1.4 million have been obligated. The entire context of H.R. 3471 attempts to give more responsibility to the guarantee agencies. It seems incongruous, on the other hand, to deny them access to the available seed money. It would seem appropriate to include language allowing for the distribution of those appropriated funds.

5. *The bill extends the Guaranteed Student Loan Program for five years.*

We concur with this provision.

6. *Under the proposed legislation, the maximum loan is reduced to $1,000 in the first year of postsecondary education and $1,500 in any subsequent year.*

The continuing rise in the cost of education contradicts this reduction in annual loan maximums. The 1972 amendments raised loan maximums and there is evidence that the need is greater today. The average cost of college education has risen. The effect would be to reduce access and availability when our policy is to promote it.

7. *In addition, under the bill the aggregate loan limit for undergraduate study is reduced from $7,500 to $5,000.*

The reasons given for retaining the present $2,500 annual loan maximum apply equally to retaining the present $7,500 aggregate loan maximum for undergraduate students. In addition, it is recommended that the regulatory authority of the Commissioner in existing law (as well as in H.R. 3471) relating to increasing annual loan maximums above the statutory ceiling in specialized programs of high cost be extended to aggregate maximums. Last year we supported legislation, H.R. 13059, which proposed raising the statutory loan ceiling for graduate students from $10,000 to $25,000 because many graduate students are unable to take full advantage of the GSL program as a result of having borrowed up to the limit during their undergraduate and early graduate studies. Medical school graduates could well afford to repay more than $10,000 worth of loans and many do now, but through a variety of loan programs. Permitting these loans to come under GSLP would simplify loan repayment and eliminate multiple loan application.

8. *The bill requires repayment to be made in equal installments.*

We question this position. Statutory flexibility should be preserved in order that lenders may customize repayment schedules to meet the needs of student borrowers. This is especially true in periods of high unemployment when loans reach repayment status and many borrowers may not be able to obtain a job which pays sufficiently to meet the minimum payment required by equal installments. Permitting graduated payments, for example, could enable the borrower to more easily repay his loan.

9. *There are several provisions that relate to eligibility for Federal interest benefits: The bill first proposes to eliminate the requirement that, as a condition for interest benefits, the school must provide the lender with a statement of costs and other aid. It also provides that the cost of attendance will only be computed in those cases where a student's adjusted family income is equal to or greater than $15,000. In these instances, the educational institution will no longer recommend the amount of loan but will simply provide the lender with a statement evidencing a determination of need.*

We do not concur with this provision. Under present law, this information must be provided for any student applying for Federal interest benefits, regardless of the adjusted family income. H.R. 3471 makes this applicable only in cases of an adjusted family income of $15,000 or greater. As loans may be used only for educational purposes, a subsidized loan may not exceed the cost of education less other aid received. This information must be provided to the lender in order that excessive loan amounts are not approved. In addition, we believe there may be some ambiguity relative to the statement evidencing need. As proposed, the school would only have to indicate to the lender that the student has need, but would not have to indicate the amount of such need as is the case of present law. While the school is provided a formula in the proposed bill as to how to determine that the student has need, there is no requirement that the institution must provide the lender with this calculation. We suggest clarification.

The measure further proposes that the cost of attendance is to be determined by the Commissioner rather than, as under present law, by the educational institution.

We are not sure of the intent of this provision. Legal counsel advises that clarification would be necessary if this provision were to become law. We recommend that this determination be made by the educational institution pursuant to regulations issued by the Commissioner. In addition, we believe that such regulations should apply to campus-based programs as well as to the Guaranteed Student Loan Program.

Under the terms of the proposal before us, the definition of cost of attendance no longer includes the cost of room and board, but provides for "the average cost of living."

There is no indication as to who is to determine the cost of living or how it is to be determined. This ambiguity will cause considerable confusion. We recommend that a clear definition be provided.

In addition, books are not included in the definition of cost of attendance. This same omission caused much confusion after the passage of the 1972 amendments, and while books might be conceivably construed as coming within the framework of "instructional costs," we recommend that books and other supplies be specifically enumerated as an included item. Such a change would also make this definition similar to language found in H.R. 3471 for the SEOG program. We have had no problems with the existing law and believe the impact of all these proposed changes in provisions relating to eligibility for interest benefits should be weighed carefully to avoid the kinds of problems that resulted after the passage of the 1972 legislation.

10. *This bill denies Federal reinsurance to any guarantee agency which denies access to students attending educational institutions out-of-State.*

We support this provision. At present, only the State of Louisiana has this limitation in its program and it has severely constrained students who have wished to attend out-of-State educational institutions. Our efforts to encourage the guarantee agency to change this procedure have not been successful.

11. *H.R. 3471 proposes several changes relative to the special allowance.*

It repeals the Emergency Insured Student Loan Act of 1969 and incorporates special allowance authorization language into the Higher Education Act.

We concur as this will simplify program administration by providing a single authorization authority for the Guaranteed Student Loan Program.

In addition, it removes the present three percent ceiling and provides that the rate of the allowance will be based on the difference between the seven percent rate of interest and three percent over the average quarterly 90 day Treasury Bill rate.

We do not concur in H.R. 3471's proposal to tie the special allowance by statute to a given indicator; however, we do favor the removal of the present three percent ceiling. We would recommend that the Congress amend this provision to allow a maximum four percent spread between the indicator and the interest ceiling. Furthermore we believe that the statute should give the Secretary *regulatory* authority to tie the special allowance to an indicator or set of indicators. However, we believe it would be unwise to "lock-in" the special allowance to any one indicator which may not in the future provide a fair reflection of money markets as a whole.

H.R. 3471 further eliminates the August 1, 1969 effective date applicable to the special allowance. The effect is to apply the special allowance to all loans made which are outstanding, regardless of when made.

We do not concur with this proposal. As the number and amount of old loans (made prior to August 1, 1969) is relatively small—less than one-half of one percent of outstandings—and bookkeeping is already in place to keep track of them, this will not entail any significant increase in lender compensation or decrease in lender cost.

The bill also has removed discretionary language for providing different special allowance rates for regions, areas, or various classifications of lenders.

While we have never utilized this authority, we see no useful purpose in removing the authorization to do so and would recommend that it be retained in the Act. There may be some basis for utilizing this differential rate procedure in the future when further supporting data and analysis become available.

13. *Under H.R. 3471 all schools and State agencies would be eliminated from participating as eligible lenders under the program.*

The new definition of eligible lender would remove educational institutions as lenders. There is no question but that some restrictions are needed to correct abuses on the part of some institutions. One of the provisions of the Administration's legislative proposals (H.R. 4376) would eliminate proprietary schools as eligible lenders. So to this extent we are in agreement. We disagree with the broad sweep taken in H.R. 3471 in eliminating all educational institutions, including higher educational institutions as lenders. We urge, instead, that the Congress act on the default legislation. We believe it will correct the abuses which are of mutual concern and at the same time not penalize the higher education institutions. On the elimination of State agencies as lenders, we do have some concern that some of these programs are perhaps overly restrictive in their eligibility criteria. However, I think we might better pursue paths that would encourage these States to open up their programs to serve a more broadly based population and improve on their loan origination and collection procedures.

14. *The bill before us offers a new definition of eligible postsecondary educational institution. Under the terms of the new definition, foreign schools are eliminated.*

We would oppose eliminating foreign schools from participation in the Guaranteed Student Loan Program. At the conclusion of 1974, our records showed that 4,761 American students had loans at such schools. The latest estimate shows that there are 6,060 American students studying at foreign medical schools—in most instances because they cannot be accommodated in American medical schools. Both because of the loss of educational opportunity and the loss of educated manpower, we would oppose this exclusion. We would also like to submit for the record a letter from the State Department expressing concern over this proposal.

15. *H.R. 3471 provides for the modification of the affidavit by adding the requirement that total federally sponsored aid does not exceed the cost of education.*

We concur in this position.

That concludes our presentation, Mr. Chairman. We shall be pleased to respond to any questions you may have.

Dr. Bell. Thank you very much. I am pleased to appear before your committee today to comment on H.R. 3471, the Student Financial Aid Act of 1975.

In making my comments, I am sensitive to the fact that the bill in question is the result of extensive hearings and prolonged examination of the numerous and complex issues that underlie Federal efforts to assist students.

Many individuals and groups have participated and have contributed to a variety of opinions and proposals relative to improvement of these programs. The bill that has emerged from these deliberations is comprehensive.

As is nearly always the case, however, with proposed legislation that attempts broad and sweeping reforms in an area filled with complexity and controversy, there are parts of the bill that obviously merit support as significant improvements, and there are parts of the proposal that seem to require further debate and justification, and there are other parts of the bill that must be questioned seriously in terms of their purpose and effect.

We are pleased to note that H.R. 3471 continues reliance on the basic educational opportunity grant program for the cornerstone of Federal student assistance efforts.

It will, however, only become the true entitlement it was intended to be when the Congress provides appropriations necessary to fully fund the program.

Further, we concur with the provisions of H.R. 3471 that would terminate future Federal contributions to the national direct student loan fund. We have consistently urged such a course of action for a number of years.

We also applaud the elimination of the NDSL cancellation provisions which are no longer needed in the program. Finally, we agree that the cooperative education program would be improved and would provide greater flexibility as a result of some of the changes suggested in the bill.

However, it must be realized that H.R. 3471 represents a significant change in the philosophy that has up to now justified a Federal presence in the support of young people seeking a postsecondary education.

Heretofore, Federal programs of student financial aid have been justified in terms of equalizing educational opportunity. Such efforts have been in recognition of the fact that participation in postsecondary education has been for too long denied to substantial numbers of young people as a result of income differences, with a resultant loss of talent to the Nation.

Federal efforts have contributed to an equalization of opportunity, but much remains to be done before financial barriers to the pursuit of education have been removed.

Because these barriers have been and remain primarily financial, assistance to students from nearly all of the existing programs had been based on need as a function of family income. The present proposal, in large measure, we believe, abandons need as the primary criterion for receiving Federal assistance. We cannot agree with such a change in procedure or emphasis.

We would urge that the goal of equalizing opportunity remain the foremost priority of Federal student assistance efforts, and that we continue to concentrate the limited funds available on those young people with the greatest financial need.

H.R. 3471, would eliminate any measure of need for participation in the college work-study and State student incentive grant programs. It would introduce proof of "academic promise" as a prerequisite to participation in the supplemental educational opportunity grants program.

It would place an arbitrary ceiling on the basic educational opportunity grant program. It would increase substantially those eligible to participate in the TRIO programs for the automatic inclusion of veterans, including those who are not disadvantaged, thus reducing the resources available to assist the disadvantaged.

And it would permit existing national direct student loan funds now in the hands of institutions to be loaned in the future solely at the discretion of the institution without mention of need as the primary criterion for the making of these loans.

Such proposals represent a significant departure from a long-held Federal policy of equalizing educational opportunity. Given rising educational costs and certainly limited Federal resources, it would seem now more than ever that the funds available must be directed toward those with the greatest financial need.

Further, proposed modification of the supplemental educational opportunity grant program to limit participation to those who demonstrate outstanding academic performance, or clear promise of such performance, is particularly troublesome. The difficulties inherent in this limitation are substantial.

Problems associated with measuring student ability in general, and that of low-income students in particular, are quite well known.

All of these problems would be compounded if some sort of measurement for academic promise became a criterion for participation in a Federal student aid program.

This is not only true in assessing academic promise for traditional institutions of higher education, but becomes even more acute in attempting to measure promise for the kinds of training provided by private proprietary vocational schools.

It would appear, then, that this requirement of H.R. 3471 is unrealistic and could be grossly inequitable, if implemented. In addition, the effect of the combined programs would be unfair in that a student who failed the basic grant needs test by just $1 of family contribution could not compete for the large SEOG awards.

H.R. 3471, continues the provision in current law which requires that both the supplemental educational opportunity grant program and the college work-study program be funded at specified levels as a precondition to the funding of the basic grant program.

We are strongly opposed to limiting funding for the basic grant program by a requirement to first fund any other student assistance program, especially those which are not equitable in their application when compared with a national needs standard.

We agree with the widespread support that has been expressed for work opportunities for students. The college work-study program has made a significant contribution to increasing the availability of postsecondary education to young people.

H.R. 3471, would eliminate the needs test and increase the appropriations authorization to at least $480 million a year, compared with the 1975 appropriation of $300.2 million.

We believe that, with limited resources, we must continue to insure that students with demonstrated financial need have priority access to work opportunities.

We would also suggest some caution about action which would tend to increase the proportion of Federal student financial assistance that is made available in the form of work, at the possible expense of Federal grant assistance, since grant support is a relatively scarce resource, while work opportunities are available in the private sector. Estimates of the total dollar value of job provided students by the private sector range as high as $5 billion per year.

The Federal work-study program should be funded only at the level necessary to insure work opportunities to those needy students who would otherwise be unable to fulfill their postsecondary educational aspirations.

Let me now turn to a discussion of the guaranteed student loan provisions of H.R. 3471. There are several basic assumptions, primarily related to the purpose of the guaranteed student loan program, which affect our comments on the provisions of this bill. These assumptions are as follows:

(1) The objective of GSL is to increase loan accessibility for all eligible students and decrease the default rate through sound and prudent program administration.

(2) GSL is a program that provides financial assistance for all students. For middle-income families, it offers a "loan of convenience" to enable such families to select the educational institution of their choice.

For lower income and minority students, it provides essential financial aid. The GSL program provides an opportunity to borrow a portion or all of the expected family contribution utilized for most student aid programs.

(3) In order to accomplish the program's access objective, lenders must be encouraged to participate to the fullest possible extent, utilizing procedures which reflect effective and responsible management techniques. It is only through such lender participation that loan accessibility can be assured.

(4) Loans should be guaranteed or insured by the most effective combination of State, Federal, and private nonprofit agencies in order to provide maximum loan accessibility, lender and school participation, and program flexibility.

The Federal Government should provide reinsurance and management support for guarantee agencies to assure their increased participation, increase their effectiveness, and supplement guarantee agency efforts where necessary.

(5) Both annual and aggregate loan maximums should be flexible and realistically determined by taking into consideration the type and costs of education, other sources of financial aid, and the potential earning capacity of the borrower to repay the indebtedness.

H.R. 3471, makes a number significant changes to the existing guaranteed student loan program on which I have made detailed comments in my longer statement. At this time, I would like to outline some of our major concerns with some of those changes.

Let me begin, Mr. Chairman, by listing those areas where we agree. We concur with:

(1) The extension of the program for 5 years;

(2) The elimination of the authorization for an interest subsidy on direct student loan programs;

(3) The denial of Federal reinsurance to any guarantee agency which denies access to students attending educational institutions out of State;

(4) The repeal of the Emergency Insured Student Loan Act of 1969 and the incorporation of the special allowance authority in the Higher Education Act;

(5) The requirement for consumer protection provisions such as reffund and disclosure policies; and

(6) The modification of the affidavit to limit totally federal sponsored aid to the cost of education.

We do, however, oppose some of the other guaranteed student loan provisions of H.R. 3471. Our primary objection is to the ultimate phaseout of the Federal Insured Student Loan Program (FISL).

We believe the proposal would severely limit accessibility of loans to many students if States existing guarantee agencies currently impose limitations on students, lenders, and schools.

For example, four agencies limit loans to full-time students; 23 limit loans to residents of their State or impose residency requirements ranging up to 15 months; 19 do not approve all educational institutions which meet Federal statutory eligibility requirements; 3 agencies guarantee less than 100 percent of the unpaid principal and interest. This has resulted in lender restriction because lenders will exercise more cautious lending criteria. Sixteen guarantee agencies have not allowed loan maximums permitted under the Federal program.

Some of these restrictions have caused many lenders in guarantee agency States to participate in the Federal program in order that they may assist all of their customers or students.

Eliminating the Federal program while permitting these guarantee agency restrictions to continue will mean that certain classes and income groups, mainly the poor, may be less able to obtain loans.

FISL operates, at least to some degree, in every State, generally accommodating higher risk populations than the guarantee agencies.

A useful indicator of this difference is the proportion of borrowers, including independent students, with adjusted family incomes of $6,000 or less. This group makes up 52 percent of cumulative Federal loan volume, compared with 36 percent cumulatively for guarantee agencies.

On a current basis, 45 percent of FISL volume and 29 percent of guarantee agency totals are for loans to students from the same income group.

The portion vocational school borrowers has also been greater, accounting for approximately 37 percent of the cumulative FISL loan volume and 6 percent of guarantee agency volume with current rates of 49 percent under the Federal program and 6 percent under the guarantee agencies.

During fiscal years 1968 through 1974, all vocational school borrowers accounted for about 37 percent of total loans disbursed, and nearly 60 percent of defaults under the Federal program.

Ninety-five percent of these disbursements and 98 percent of the defaults were for proprietary vocational school borrowers, making this group of students 1.7 times as likely to default as the general student. We believe that to eliminate the Federal program would not be in the best interests of students, and, particularly, Mr. Chairman, not in the best interests of the poor.

We do not concur in H.R. 3471's proposal to tie the special allowance by statute to a given indicator. We do believe that the statute should give the Secretary regulatory authority to tie the special allowance to an indicator or set of indicators.

However, we believe it would be unwise to "lock in" the special allowance to any one indicator which may not in the future provide a fair reflection of money markets as a whole.

We object to the reduction of the loan maximum to $1,000 in the first year of postsecondary education and $1,500 in any subsequent year. The continuing rise in the cost of education contradicts, we believe, this reduction is annual loan maximums.

The Education Amendments of 1972 raised loan maximums and there is evidence that the need is even greater today. The average cost of college education has risen and the effect of this provision would be to reduce access and availability when the present program purpose is to promote it.

In addition, we oppose the reduction of the aggregate loan limit for undergraduate study from $7,500 to $5,000. The reasons given for retaining the present $2,500 annual loan maximum apply equally to retaining the present $7,500 aggregate loan maximum for undergraduate students.

Futhermore, we recommend that the regulatory authority of the Commissioner in existing law, as well as in H.R. 3471, relating to increasing annual loan maximums above the statutory ceiling in specialized programs of high cost be extended to aggregate maximums.

Last year we supported legislation, H.R. 13059, which proposed raising the statutory loan ceiling for graduate students from $10,000 to $25,000, because many graduate students are unable to take full advantage of the GSL program as a result of having borrowed up to the limit during their undergraduate and early graduate studies.

Medical school graduates could well afford to repay more than $10,000 worth of loans and many do now, but through a variety of loan programs. Permitting these loans to come under GLS would simplify loan repayment and eliminate multiple loan application.

We question the proposal to require repayment to be made in equal installments. Statutory flexibiity should be preserved in order that lenders may customize repayment schedules to meet the needs of student borrowers.

We oppose the proposals eliminating the requirement that, as a condition of interest benefits, the school must provide the lender with a statement of costs and other aid.

We further oppose the provisions which provide that the cost of attendance will only be computed in those cases where a student's adjusted family income is equal to or greater than $15,000 and that the educational institution will no longer recommend the amount of the loan, but will simply provide the lender with a statement evidencing a determination of need.

Under present law, this information must be provided for any student applying for Federal interest benefits, regardless of the adjusted family income. H.R. 3471 makes this applicable only in cases of an adjusted family income of $15,000 or greater.

As loans may be used only for educational purposes, a subsidized loan may not exceed the cost of education less other aid received. This information must be provided to the lender in order that excessive loan amounts will not be approved.

In addition, we believe there may be some ambiguity relative to the statement evidencing need. As proposed, the school would only have to indicate to the lender that the student has need, but would not have to indicate the amount of such need, as is the case of the present law.

While the school is provided a formula in the proposed bill as to how to determine student need, there is no requirement that the institution provide the lender with this calculation, and we suggest, Mr. Chairman, that clarification would be necessary here.

There are several other clarifications and definitions which we believe are necessary, and which are detailed in my longer statement.

One such definition which is of major importance deals with eligible lenders. We oppose the removal of all schools and State agencies as lenders. There is no question but that some restrictions are needed to correct abuses on the part of some educational institutions.

One of the provisions of the administration's legislative proposals, H.R. 4376, would eliminate proprietary schools as eligible lenders. So to this extent we are in agreement.

We disagree with the broad sweep taken in H.R. 3471 in eliminating all educational institutions, including higher educational institutions, as lenders. We urged instead that the Congress act on the default legislation which we have submitted. We believe it will correct the abuses which are of mutual concern and at the same time not penalize the higher education institutions.

On the elimination of State agencies as lenders, we do have a concern that some of these programs are perhaps overly restrictive in their eligibility criteria. However, I think we might better pursue paths that would encourage these States to open their programs to serve a more broadly based population and improve on their loan origination and collection procedures.

We would oppose eliminating foreign schools from participation in the guaranteed student loan program. At the conclusion of 1974, our records showed that 4,761 Ammerican students had loans as such schools. The latest estimates show that there are 6,060 American students studying at foreign medical schools, in most instances because they cannot be accommodated in American medical schools.

Both because of the loss of educational opportunity and the loss of educated manpower, we would oppose this exclusion. We would also like to submit for the record a letter from the State Department expressing concern over this proposal.

[Letter referred to follows:]

DEPARTMENT OF STATE,
Washington, D.C., March 20, 1975.

Hon. TERREL H. BELL,
Commissioner of Education,
U.S. Office of Education,
Department of Health, Education, and Welfare
Washington, D.C.

DEAR COMMISSIONER BELL: It has been brought to my attention that legislation proposed "To amend Title IV of the Higher Education Act of 1965 as amended" (HR 3471) as currently drafted would eliminate opportunities for American students to pursue their studies abroad under the guaranteed loan program. I am writing to you at this time in the hope that changes might be made in the bill so that U.S. citizens might continue to study abroad under this program.

I understand that American students enrolled in some 792 educational institutions abroad are now eligible under the present guaranteed loan provisions of the Higher Education Act, and that more than 4,700 U.S. students are currently attending these institutions with funds guaranteed under this program. As now proposed, paragraph (b) Section 491 of HR 3471 would limit institutions involved to those within the United States and remove the eligibility of Americans for loans to attend schools abroad or "outside the States" as presently provided.

A long standing policy of the United States Government is the encouragement of its citizens to study abroad in furtherance of the international relations of this country. This is clearly illustrated in the Mutual Educational and Cultural Exchange Act, as amended (P.L. 87–256) which states as part of its purpose: "to increase mutual understanding between the people of the United States and the people of other countries by means of educational and cultural exchange." Programs, such as those under the Fulbright-Hays Act (P.L. 87–256) can and do, serve this purpose, but in addition it is vital that there be an even wider sector of American participation in educational exchange through the public at large. The guaranteed loan program offers a means for students to obtain educational training abroad who would not otherwise be able to do so.

Today we face unprecedented world problems such as energy, food, population, and the environment which underscore the critical inter-relationships of the United States with other nations. As Secretary Kissinger has reminded us, we are entering an era of increasing interdependence. This Department believes that we should assist our people in developing their ability to meet the perplexing and challenging conditions of living in a global society. It is essential to build the cross-cultural resources and substantive knowledge which come from international study. It is hardly the time to cut back opportunities for educational training abroad.

Another aspect of study abroad is the educational preference of the individual. The student himself may find it desirable and essential to undertake studies in foreign countries and institutions. Obvious fields include area and language studies, comparative linguistics, earth and life sciences, archeology, comparative government, and the arts. In turn, such training and experience enhance the potential for the student's future professional contribution in the United States.

In brief, I firmly believe that it is in the national interest to enable our students to pursue their education abroad. We should make it possible through the guaranteed student loan program, as well as with other public and private means, to facilitate the individual's pursuit of his or her bona fide professional education whether in the United States or abroad. In the final

analysis it is the student's own investment of time, energy, and funds which is at stake.

Sincerely,

JOHN RICHARDSON, JR.,
Assistant Secretary for
Educational and Cultural Affairs.

Dr. BELL. I would like to conclude, Mr. Chairman, by saying that we do find some features in the bill with which we agree with. We hope that we are unduly critical in our comments. We hope that our suggestions are constructive in nature. We intend them that way.

We look forward to working with the committee as the final bill is formulated. We appreciate this opportunity to express our views on H.R. 3471, and I would like at this time, if I might, to call my colleagues up to the table for the discussion that will follow.

That concludes my statement, Mr. Chairman. We are most happy to respond——

Mr. O'HARA. Perhaps, Commissioner, it would be appropriate if you would identify your colleagues for the record.

Dr. BELL. Thank you. On my right, which, of course, is your left, is Mr. Ken Kohl who is Associate Commissioner in charge of the guaranteed student loan program. Next to him is Mr. Ed York who is the Deputy Commissioner for Management in the U.S. Office of Education.

Both of these gentlemen have the prime responsibility for guaranteed student loans in our office.

Then on my left, is Mr. Bill Herrell, sitting just next to Mr. Cooke, who is the Acting Deputy Commissioner for higher education or Postsecondary Education. Then John Phillips who is the Associate Commissioner for Student Assistance and has responsibility for the financial aid programs in the Office of Education.

Thank you.

Mr. O'HARA. Madam Secretary, you have suggested that the first purpose of the Federal Government in postsecondary education is to increase access to postsecondary education by concentrating resources on direct financial aid to students on the basis of need.

Then you indicate that you believe that access means that the student could have enough to enable him to attend at least the kind of low-cost college increasingly available in many of the States and to do so without borrowing.

How do you believe that your suggestion that the basic educational opportunity grant be limited to half of a student's need would contribute to that cause?

Need is defined as being the difference between the cost of the institution, the student cost, and the reasonable expected family contribution toward the support of that student at that school.

Under the schedule, the reasonable expected family contribution is figured on a very, very difficult scale. You permit the family to retain in effect the low-income budget of the Social Security Administration, the Orshansky low budget. There has been much criticism of your schedule on the ground that the reasonable expected family contribution is very unreasonable, but, leaving that aside, how would you expect to improve access by limiting the amount of the grant to one-half of the difference between the reasonable expected family contribution and the total cost?

Dr. TROTTER. Well, when we are talking about half of need, we are talking about need as the cost minus the family contribution. To limit the grants to half-need would give us an opportunity to broaden the base and the number of students that we could help, and, therefore, we would have—we would be able to help more students in middle-income groups.

Mr. O'HARA. In other words, instead of—if you had two swimmers who were in difficulty and in danger of drowning 30 feet away from the rock, instead of throwing one of them a 30-foot-long rope, you would cut it in half and throw each of them a 15-foot rope, right? Is that how you would do it?

Mr. PHILLIPS. Mr. Chairman, if I could supplement those remarks, I think the key concept in the testimony that Secretary Trotter has delivered this morning is the concept of total current resources, which would take into account not only the family contribution, but also reasonable expectation of student earnings in addition to the availability of a grant. So, if you are talking in terms of a relatively low-cost institution, for example an institution with a total student cost of $1,600, then you are still working very much within the boundaries of a concept of current resources.

Mr. O'HARA. Mr. Phillips, you have picked the absolute lowest—no, you have understated the student cost at the lowest cost institutions in America. The lowest cost institutions in America are the free community colleges of California and the student cost at them exceeds $1,600. The student cost at an institution in my State at a community college in my district runs in the neighborhood of $2,000.

Now, evidently you don't believe in the economic statistics or the fact that we have 8-percent unemployment in the United States and the fact that in the State of Michigan unemployment is running at 16.1 percent, and you blithely assume that a student without much effort, a full-time student, is going to be able to make $1,000, $700—$800 to $1,000, and that that, added to one-half of the difference—let us take a student then whose expected family contribution is zero. OK. You expect him to make $800 to $1,000 which is just as unrealistic as the family contribution schedule is, but you expect him to make it, and then that leaves him with another $1,000 or $1,200 that he cannot make on his own, and you say that the way to help him get access is to give him only a part of the $1,000 or $1,200, is that it?

Mr. O'HARA. Madam Secretary, do you mean access is what the student ought to be able to get from his assistance—grant assistance, plus his own efforts plus his family contribution without borrowing, or do you mean to include borrowing?

Dr. TROTTER. He should be able to go to a low-cost institution, with the resources contributed by his family, the resources that he can be expected to earn with a reasonable effort, and his grant aid.

Mr. O'HARA. Mr. Phillips, with an expected family contribution of zero, with a highly unrealistic assumed earnings of $800 to $1,000, and a $2,000 low-cost institution—and you would agree that is a low-cost institution, wouldn't you?

Mr. PHILLIPS. Yes, sir.

Mr. O'HARA. How do you say that limiting the amount of BOG to $500 would increase——

Mr. PHILLIPS. We wouldn't limit it to $500 in that case. That basic grant—if you had a $2,000 cost and the basic grant limit was half of need, the total budget cost would be recognized as need because there is no family contribution. Then the basic grant in that case would be $1,000.

The thing that I think we really do have a serious disagreement about is whether it is realistic or unrealistic to expect the combination of current resources to make up that difference.

Now, we have not always been in total agreement with our friends in the need analysis services, but I think we do believe that the expectations that they have traditionally included in those calculations are essentially correct. We would further point out as an integral part of the approach to this legislative testimony here that in the event that a student such as you described—in other words, a very high-need, low-income student—were unable to secure that additional amount from earnings in the private sector, we would retain the work-study program and would keep the need basis for that program to assure that the needs of that particular student are met and that that money is not diffused over a wide variety of students with or without need. So basically we are talking about current resources being a combination of grant and work opportunities, and where the work opportunities are unavailable in the private sector, we would indeed support the work-study program to meet the need in that case.

Mr. O'HARA. Now let us take the work idea. CSS—I have not looked at their schedules lately, not in terms of how much they expect from summer earnings, but I know that you very strongly disagreed with their latest schedules and in fact proposed to issue a regulation directing the colleges to ignore it in computing the amounts which student might become entitled to under work-study or SEOG.

Is that the schedule from which you get the estimate that the student ought to be able to make—what is it—$500 in his summer employment?

Mr. PHILLIPS. No, sir. Not our schedule. The CSS schedule.

Mr. O'HARA. The same schedule to which you object that estimated that $500 might be——

Mr. PHILLIPS. I think, Mr. Chairman, in response to your earlier inquiry in connection with an earlier hearing on that matter, we tried to indicate that we had some difficulties with the new proposed schedules in terms of estimating the family financial strength, but we did not raise objections or questions about the expectations for student earnings, and we do believe——

Mr. O'HARA. It operated in the other way. It held down the amount of need rather than increased it.

Mr. PHILLIPS. Mr. Chairman, I think it is useful to recall that if you are talking about an expectation from work of $800 to $1,000, that that breaks down to a fairly reasonable expectation on a month-by-month basis.

I mean it seems to us that those are realistic estimates of a student's ability to come up with part-time earnings to contribute to the cost of his education.

Now, admittedly, there is unemployment, but we would argue that this earnings expectation can be accomplished through the use of the work-study program in those cases in which students are unable to secure private sector employment.

Mr. O'Hara. I think in the current economic climate to assume that kind of earning from nonwork-study employment is highly unrealistic. Let me——

Mr. Thompson. How many McDonald's are there in the State of Michigan?

Mr. O'Hara. There are quite a few because I got phone calls from all of them just before they made their contributions to the 1972 Nixon campaign in opposition to the minimum wage law as it applied to such establishments.

[Laughter.]

Mr. O'Hara. You have a suggestion with respect to State programs. You suggest that you want the States to institute tuition-equalization programs. One example you give is a program that would make up some of the difference between the BOG ceiling and—part of the difference between the BOG ceiling and the cost of education for students at high-cost institutions.

Then you say that:

> However, it is still true that four States now account for over 60 percent of State-funded student aid. Many other States devote their funds for higher education almost exclusively to institutional support. This pattern of predominance of institutional support does promote low tuition at public institutions, but does not take into account the differing financial needs of lower-income and upper-middle-income families, nor does it help students to afford private institutions.

Then you suggest that we might encourage a modestly greater State emphasis on student aid and we—In other words, we are asking them to divert some of those funds devoted to postsecondary education into student aid and out of institutional aid.

In any event, you want them—we all recognize that right now the States are in a financial crunch. Their revenues are down. Many of them have constitutions that forbid them to borrow. They must have a balanced budget. They are talking about devoting less to higher education rather than more.

Tuitions are rising at State-supported institutions and at the same time you are suggesting that they divert some of the money that is now—up to now been used to provide for relatively low tuitions—that they divert some of that money into student need-based assistance programs, right?

Dr. Trotter. Right. Particularly I was emphasizing the fact that, where there isn't the need for expansion of physical plants and facilities that there had been because of the leveling off of enrollments, and this money could therefore be devoted to student-aid programs.

Mr. O'Hara. Right now tuitions are going up at State institutions. Everyone agrees to that and knows that that is the case and that the institutions are having great difficulty in getting the States to make any increase in the State appropriations to public institutions or even to hold the line in the State appropriations.

I think that we have to recognize that there will be a limited amount of money available in the States for higher education and that whatever amount you put into student assistance results in less institutional assistance and that the effect of less institutional assistance is a general increase of some magnitude in tuitions and fees at these institutions.

Dr. **Trotter**. We would hope that the States could provide more student aid, we might in the process help match this, which would in the long run be a greater amount of money going to help both the institutions and the States.

Mr. O'Hara. Well, it is clear to me that one of the implications of your proposal is that you would encourage State—redirection of State efforts into need-based grants to students and a deemphasis on institutional grants which have the effect of keeping down tuitions, and that the result would be higher tuitions.

I think there may be details on which we agree, Madam Secretary and Commissioner Bell, but, if so, I am afraid it must be by accident.

Because we are heading in different directions because I very strongly believe that the States ought to be encouraged to provide low-cost educational opportunities and that the goal of their programs and our program ought to be popular education, education for all, that they ought to make education beyond the high school available to as large a proportion of our people as we possibly can, and that an essential element in doing so—I don't care what the income levels are, whether they may be working-class families or the poor—an essential element to that is holding down the cost of education.

I am disturbed. In essence, the way I see your approach, it is to turn higher education into a welfare program, and that the end result of your approach would be to say that people can buy higher education, paying full cost, and, if they cannot afford to pay full cost, if their income level is too low to do so, if they can sign a pauper's oath, if they can meet some sort of income qualifications, then they might get some help, but other than that, private higher education is just another commodity like automobiles, like dress suits, and whatever, and, if you want one, you have to go out and pay for it.

The one distinction you would make is that you might not give someone a subsidy if they are eligible for welfare in order to buy an automobile or a dress suit, but you would give them a subsidy for procuring higher education, but I don't believe that is the approach we ought to take. I don't believe that is the approach we have taken in the United States.

Why don't we do that with our elementary and secondary schools? If we think that people ought to pay the full cost of education and get a subsidy only if they are poor, then why don't we do that in those cases?

It seems to me that you are heading in entirely the wrong direction, and I hope that we can come out somewhere, Commissioner, on this whole thing, but I can see we are going to have some difficulties.

Mr. **Bell**. Mr. Chairman, I would like to point out again that I don't think we are in total disagreement, and I tried to emphasize some places where I felt we were in agreement, but I feel it may be that maybe I haven't done a good enough job in trying to convey to you what I feel our program is.

We certainly don't feel that we ought to abandon the middle- and upper-income people, and we put great emphasis on the guaranteed load program for that. We think that unless we make the total Federal pie larger—and we see little prospect of that in the next—well, in the immediate future, because of the fiscal circumstances. We must establish priorities for the distribution of scarce Federal resources.

Our concern—and I think our prime disagreement with the chairman's bill—is that it is going to shift the resources away from those who have no hope, worthy students who have no hope at all for education, by eliminating the need requirement for work-study and other programs, and so we think that the priority should still be upon the poor, given the scarce resources that we have. We submit that those in middle and upper income levels can better afford to finance college education than the poor, admitting that it is difficult at today's costs, even for some on those levels for all students. Therefore, we make a loan of convenience with subsidy opportunities and so on available in order to make this possible. but we believe that with the scarce resources we have—we are putting around $2 billion a year of the Office of Education budget now to this entire array of student aid programs and the loans, and we see little prospect of dramatically increasing that.

We would like to keep the priority on those who are without any hope at all of access to higher education.

Mr. O'HARA. Commissioner, let me—what—I was hoping to conclude on that, but you raised another point that I am just going to have to respond to, and please pardon me, Mr. Thompson, for keeping you waiting.

You are saying that I am removing need base. Now, in the first place, let me make it absolutely clear that if anyone can demonstrate to me and if it is demonstrated to me—and it may well be—during the consideration of this bill that anything in this bill is going to make it more difficult for anybody in this country to get an education, I will change that provision.

Now, that is an absolute flat commitment. If anyone can demonstrate to me that anything in the bill that I have sponsored is going to make it more difficult for an American to get an education, I will change that provision.

Now, about the business of need, getting rid of the concept of need. You see, under the work-study program the way it now operates, you are eligible for a work-study job if a computer in Princeton or in Iowa City says that you have a need.

Now, you know and I know that the computer doesn't have a lot of judgment. He has got a lot of grasp of figures, but he doesn't have a lot of judgment, and sometimes situations arise where there is actual need, but there is no computed need.

I have taken off the requirement that you must have computed need under a needs analysis system to get a work-study job, but, nevertheless, the requirement is retained that they must sign an oath that the funds will be used to help pay for their education, and, if they use it for any other purposes, they are subject to the penalties of the law.

I would not anticipate that institutions responsible for administering the work-study program would go out and try to press jobs on people who didn't need them nor would I anticipate that people who didn't need jobs would be knocking themselves out to try to get them.

I have a wide acquaintance among college students and, although I find them to be estimable young men and women, I don't find them just absolutely dying for a chance to work in addition to their full-time school schedules.

I think that they generally look for work if they feel they must have it in order to pay for their education, so I feel that there is sort of a self-selection in this.

Then I object very much to one of the consequences of the way that work-study is now administered, this overall warning concept. It means that, if a student is hired on a project, let us say, in the horticulture lab and working on some particular piece of research and this student has need for these funds and he starts off on the job sometime in September and then, all of a sudden, on January, at 2:30 p.m., he has received enough from his work-study job so that his computed need, the amount that computer said he needed, had now been met, so at 2:30 p.m., that institution has to go and pull him off of that job.

I don't care if the project he was working on is halfway through. I don't care if it ruins the whole notion of the work-study. He has to come off that job. Now, to my mind that is just crazy and it is demeaning the useful work that work-study students are doing.

It is saying to them:

> Look, you aren't earning this money. We don't really give a damn about the contribution you are making with your work. What this is, is another form of welfare that we are giving you, and we are going to make certain that you don't get a nickel more of this disguised welfare than you are entitled to.

That is why I took off this system of computed need, not because I thought institutions were going to go out and start awarding work to people that didn't have any need for it, but I think there is too much of a mechanistic approach to these programs that results in detracting a good deal from the work ethic.

Now, I don't mean to get rid of need. I do mean to keep costs low if I can possibly do it because I think that low cost to education has done more for access than any program we ever devised, but I don't mean to get rid of need.

Mr. Thompson?

Mr. THOMPSON. I just have a general comment or so. I have not read Commissioner Bell's full statement and I do recognize in it, to a degree, some valuable statistical data and also perhaps a little greater degree of agreement than the chairman feels exists. At this stage, of course, we are just beginning this process. I don't necessarily agree with all of Mr. O'Hara's concepts or all of the amendments which are in the bill.

I do think that your statement is valuable. I noted with some interest and a little dismay Secretary Trotter's suggestion that it is unjustifiable with today's interest rates that an NDSL borrower should never have to pay more than 3 percent in interest.

I certainly don't agree with the statement that that constitutes a standing invitation for students to postpone repaying their loans as long as possible. I just flatly disagree with that.

However, the interest rate, I suppose, is a subject of negotiation. A lending institution should certainly not be deprived of the cost of administering the loan.

Dr. TROTTER. I was referring to the fact that we charge different rates to different students for different kinds of loans and this is not equitable, that we should take a look across the board at the kind of interest rates that are being charged and ask whether the institution itself is benefiting in the way it should. We might be able to help more students by increasing the interest rate and hence income to the loan fund which can then be sent to other students.

Mr. THOMPSON. The original development and passage of the National Defense Education Act was, as we all know, a sort of knee-jerk response to sputnik. It certainly has turned out to be a great thing, but I agree with the original concept—the preferential treatment of students in certain areas of study—at the time, simply as a device by which to broaden the whole thing later.

Originally, we did not take into consideration the cost to the institutions of dumping in Federal money. We agreed then, and I agreed thoroughly, with the concept of helping the student, but, as it turned out, for a time we were, in effect, taking it out of the hands of the faculties and the institutions.

Now, we remedied that, and we should have. We did away with the preferential area studies such as math, science, modern foreign languages. The real purpose at that time was the concentration of the American people on those subjects as a result of the Soviet success with sputnik, and we simply moved in and pragmatically took advantage of it.

Now this program in the 1972 act, which I think is a spectacular act, is being reviewed, and there are going to be differences. I am sure that they will be worked out and I am sure that the chairman will keep his commitment.

I have known him since the day he got here. He is one of my closest and most respected friends, and, when he says that if he can be shown where there will be any deprivation of a student then he will remedy that, that indicates to me a great degree of flexibility.

Mr. BELL. We are encouraged by that too, Mr. Chairman. [Laughter.]

Mr. THOMPSON. I don't think that he is, even with my support, going to come down too much on your philosophy of the act, but will certainly accept that which we think is constructive.

With that, I thank both of you for your appearance here.

Mr. O'HARA. Mr. Eshleman?

Mr. ESHLEMAN. Thank you, Mr. Chairman. This is oversimplification, but there is good in your testimony and there is good in the chairman's bill, and I am an optimist in thinking that what we will end up doing is combining the good of both into one marked-up bill.

Dr. Trotter, I would like to have a line of questioning that is not directly related to your testimony, but it is indirectly related to this legislation because I have an amendment in mind that I haven't yet discussed with the chairman. I am going to ask a few questions on what I call the quota system as far as student enrollment.

I am not talking faculty. That doesn't belong in this bill. I am not talking maintenance force. That doesn't belong in this bill. But I happen to think an amendment limited only to student enrollment would be germane to this bill.

Now, would the Department agree or disagree with me that you are now implementing what I call a quota system in student enrollment?

Dr. TROTTER. No, not at all.

Mr. ESHLEMAN. Well, I have here—the Pennsylvania Department of Education submitted this last June, and it is a resubmission at the direction of HEW, a list of public colleges in Pennsylvania with exact percentages of minority student enrollment behind them.

For example, in my hometown, Millersville must have 13 percent by this September. Now, the president tells me that if he doesn't—the president of the college tells me that if he does not, he is in jeopardy of losing some Federal subsidy.

Is that correct or incorrect?

Dr. TROTTER. He must be referring to title VI or title IX, Mr. Eshleman.

Mr. ESHLEMAN. I am not going to read this in full.

Dr. TROTTER. Which is not part of this bill at all. There are no quotas. We have not set any quotas.

Mr. ESHLEMAN. The Department used the word "goal." I will admit that. The Department uses the word "goal."

Dr. TROTTER. But these are not mandatory.

Mr. ESHLEMAN. They are mandatory.

Dr. TROTTER. They are not mandatory.

Mr. ESHLEMAN. Then may I tell that to the president of Millersville? That they will not lose any Federal subsidy if they don't meet the 13 percent?

Dr. TROTTER. If they can show that they have tried and that they have done everything that they can to be as equitable as possible in terms of the hiring practices, in terms of their enrollment practices and admissions and so forth, then they will not be penalized.

If there is—this is something that they have to work out together, with the office for Civil Rights.

Mr. ESHLEMAN. I am not being antagonistic, but the Department evidently has more than one definition for try. Let me switch now—and this is more recent. My administration assistant was on an educational trip to Crystal City, Tex., and your Department finances 50 percent of that school. You finance 50 percent of that school. It is a Mexican-American school.

He asked them what effort they make, and they said they write one letter a year, one letter a year. They send a copy to the Department, and this is considered trying. One administrator of the school told my aide that one white student in this school would be one too many.

Now, I have nothing against the equality of educational opportunity, not a thing, but I sense a double standard here. You are financing 50 percent of that school. I sense more than one definition of try.

Millersville State College has, I understand, a full-time person traveling around in our larger cities in Pennsylvania trying to talk people into coming to Millersville, so they can get up to this 13 percent.

Now, I cannot understand the one philosophy in Crystal City, Tex., where I will repeat for the third time that you are paying half the bill. Then here are 12 State public colleges in Pennsylvania where you evidently have a different philosophy.

Dr. TROTTER. We would be very happy to look into the situation. I don't know about the Crystal City situation, and I think that we should look into this and get back to you.

Mr. ESHLEMAN. You know, I wrote to Secretary Weinberger on February 28. I am looking down here at my letter. This is April 8, and all I have received so far is an acknowledgement, and it seems to me that it is time enough that I could be given an answer, unless it is too hard to answer.

Mr. THOMPSON. It shows you were trying.

Mr. ESHLEMAN. My second letter will be a little different from the first. If I sound mean, I don't mean it that way, but I just cannot see a double standard. Whatever we have for admissions, then let us apply it equally through the 50 States. Let us apply it equally.

Dr. TROTTER. We couldn't agree with you more in terms of equitable treatment.

Mr. ESHLEMAN. I am going to——

Dr. TROTTER [Continuing]. Equitable treatment.

Mr. ESHLEMAN. I am going to verbally relay that to John Pittinger, who is not of my political party, who is Secretary of Education of Pennsylvania. I am going to verbally carry back that these percentages are not binding and that these colleges will not get penalized if they cannot meet them by September.

Dr. TROTTER. They do have to show that they have——

Mr. ESHLEMAN. Must they show any more than Crystal City shows?

Dr. TROTTER. They have to show that they really have sincerely tried and they have to give evidence of having tried to meet their goals.

Mr. ESHLEMAN. In the answer to this letter—and I don't expect you to answer it here verbally. I just wanted to say this. I want to be told or I want to see that one school in one State doesn't have to show any more than another school in another State because that is my attitude of fair application.

Mr. BELL. I believe, Mr. Eshleman, there are two different programs in two different agencies here. One is related to this institution in Texas.

The other matter relating to the institution in Pennsylvania, is, I think, being administered by the Office for Civil Rights.

Mr. ESHLEMAN. I will agree to that.

Dr. TROTTER. Is this a college or secondary school?

Mr. BELL. The head of the Office for Civil Rights, I am sure, must have this letter from you relating to this institution. We will follow up on that. I also believe that there needs to be a conversation with the president of this college and the people in the Office of Civil Rights, which isn't part of the Office of Education, and I would be most happy to stimulate that conversation to clarify this matter.

Mr. ESHLEMAN. I would appreciate it if our Secretary of Education in Harrisburg would get a clarifying call or, better yet, a clarifying letter.

Crystal City is a secondary school, not a college. That is a secondary school. It is still a double standard.

Dr. **Trotter.** If it was a secondary school in Texas, it may be receiving funding under our bilingual education program.

Mr. **Bell.** That puts an entirely different light on it.

Mr. **Eshleman.** It is still a double standard. I realize it is a different section of a different act. I realize that, but it is two philosophies coming out of the same department. That is what I can't understand. I realize that they emanate from different acts, but I would think the philosophy should be consistent. I think the application of the philosophy should be consistent.

Mr. **Bell.** Hardly a week goes by that I am not in a telephone conversation with John Pittinger, and I will talk this one through with him.

Mr. **Eshleman.** All right. I would appreciate that. That is all.

Mr. **O'Hara.** Thank you. Mrs. Smith.

Mrs. **Smith.** Thank you, Mr. Chairman. I appreciate very much the testimony by Dr. Trotter and Dr. Bell, and I must call to the committee's attention the fact that Dr. Trotter comes from Nebraska. She has a great record in our State, and we are very proud and gratified to have her in this position of top responsibility.

Did I understand correctly, Dr. Trotter, that you made two major points? First, that this single Federal program should not give some students who did not need help unlimited access at the expense of funds being unavailable for other students, and second, that you think access can be achieved for more students by having some criteria as to price and need?

Dr. **Trotter.** What we are saying is that what we want is to be able to give a maximum amount of access with some choice along with it, so that a student may have an opportunity to choose where he or she might go to school, as well as being able to attend a low-cost institution. You are right in that we are really trying to do within the limits of the money that what is available is to have a goal of both access and choice.

Mrs. **Smith.** Now, are you folks as interested as most of the witnesses have been in simplifying the needs-analysis system and hopefully ending up with one needs-analysis formula?

Dr. **Trotter.** I think we are very interested in simplifying this. I might ask John Phillips to respond.

Mr. **Phillips.** Mrs. Smith, as you are probably aware, the last few months have brought about a considerable amount of controversy on this whole subject of need analysis and measurement of a family's ability to pay.

We have, I think, come up with a reasonable kind of compromise with respect to the immediate situation relative to the awarding of funds for 1975–76.

I think also that there are considerable opportunities available, under the final rule that we hope to publish shortly, for simple negotiation of some of the points of difference in the development of the criteria for the Commissioner's annual review of the systems.

Finally, I would also suggest that we are very much interested in the results of the work of the National Task Force on Student Aid Problems which is chaired by former U.S. Commissioner Francis Keppel, and I know they have been working very hard on a kind of common-need-analysis methodology. We are very much looking forward to seeing their recommendations in the hope that they may provide some assistance to us in coming toward a common standard of need.

The difficulty, however, is that good persons can disagree on what is a reasonable expectation of ability to pay, and, until we see not only the methodology for handling assets and retirement allowances and a number of technical features in a system, but also the taxing rates that are applied to the resulting available family income, we really have to reserve judgment and see what we can work out this spring. I think it is fair to say that we are committed, if at all possible, to finding a common standard of need to remove the confusion that has existed in these programs.

Mrs. SMITH. You agree. Along a little different line, what is the Office of Education doing to encourage states to develop guarantee agencies?

Mr. BELL. I would like to ask Mr. Kohl, if he would, to respond to that. He is responsible for the Guaranteed Student Loan program.

Mr. KOHL. We have established a separate branch in our operation to communicate with those who would provide this type of a service to their people, and we have opened the door and will provide help for any that desire it.

We have also tried to cooperate with the guarantee agencies that exist in developing their own programs.

Mrs. SMITH. Thank you. I have no more questions, Mr. Chairman.

Mr. O'HARA. Thank you. Mr. Bell, a lot of what you had to say today had to do with the FISL program, guaranteed loan program, and you suggested in your testimony that the federally insured student loan program had a higher default rate because of its willingness to insure loans to students or loans to students attending institutions where insurance would not have granted a loan would not have been guaranteed by a State agency for some reason or other; in short, that you provide loans for high-risk schools and high-risk students, and that the State agencies are in effect creaming the thing. They are taking the lower risk students and the lower risk schools.

I would like you, if you could, or one of those accompanying you to be specific about that. We know, for instance, about home-study schools. You have told us, incidentally, that they have a low rate of default claims. Aside from them, could you tell us what guarantee agency States bar what students and what schools? I mean, give me some specifics.

Mr. BELL. Mr. York, will you and Mr. Kohl respond?

Mr. YORK. We do have a schedule, Mr. Chairman, that talks to each of the individual State programs and compares a series of things across those State programs with the Federal programs. This schedule would answer the question, I think, in more detail than I could in words.

It does speak to insurance coverage those that do not provide 100-percent guarantee, where they do not insure interest, that would give you an across-the-board idea, I think, as to where the differences are between the State programs and the Federal programs.

I would like to submit that for the record, if I might.

Mr. O'HARA. Without objection, it will be entered in the record.

[The document referred to follows:]

	Do not charge insurance premium	Do not insure 100 percent	Do not insure interest	Do not insure nonsubsidized loans	Do not insure half-time students	Do not insure students going out of State	State restrictions on OE eligible schools	Annual loan limits below maximum undergraduate	Annual loan limits below maximum (graduate)	Aggregate limit below maximum (graduate)	Residency requirement	Endorser
Alaska							× (home study)				1 year	Permit.[1]
Arkansas							do	1,500[2]	1,500	7,500	do	21 require.
Connecticut	×							1,500			do	Prohibit.
Delaware					×		× (home study)	1,500			do	Permit.[1]
District of Columbia							do	1,000	1,500	7,500	15 months	Do.
Georgia								1,500	2,000		No time required, must be resident.	Prohibit.
Illinois	×						× (home study)	1,000 freshmen, 1,500 sophomores, 2,500 juniors and seniors.			6 months for those going out of State.	Permit.
Lousiana	×			×	×	×	do	1,500	2,000	7,500	1 year	Do.[1]
Maine							do				6 months	Do.[1]
Maryland							do	1,500	2,000		6 months for independent students.	Do.[1]
Massachusetts			×								No time required, must be resident.	Prohibit.
Michigan			×					1,500			None	Permit.
New Hampshire			×	×				1 500	2,000		do	Do.
New Jersey							× (home study)				6 months	Do.[1]
New York							do	1,500 freshmen, 2,000 others.			1 year	Do.
Nevada							do				6 months	Do.[1]
North Carolina							do				1 year	Do.
Ohio		90 percent					do				Resident with intension to stay.	Do.
Oklahoma					×		do	1,333	2,000	7,500	1 year	Do.
Oregon											do	Do.[1]
Pennsylvania							× (religious)	2,000			30 days	Do.
Rhode Island		90 percent	×				× (home study)	1,500	1,500	7,500	None	Do.
Tennessee	×		×								1 year	Require.
Vermont							× (home study)	1,500	2,000	7,500	do	Permit.
Virginia		90 percent	×		×		do	1,500	2,000		30 days	Do.
Wisconsin			×								1 year	Do.
USAF							× (home study)					

---

[1] Require spouse to cosign.
[2] Limits undergraduate aggregate to $5,000.

Mr. O'HARA. Apparently, looking at your chart here which has now been entered in the record, the State restrictions on OE eligible schools where they exist all involve home-study schools, except the State of Pennsylvania which involves religious schools, right? So, apart from that——

Mr. KOHL. Those are among them. Yes, sir.

Mr. O'HARA. Well, I don't see how that could account for the much higher default rate in the federally insured program as compared to those with State agencies because apparently home studies are not the problem. At least that is what they claim to us.

You suggest in your testimony that proprietary schools are the problem. I don't see that any of these State bans apply to proprietary schools.

Mr. KOHL. There is no such ban, sir, but they have not loaned to proprietary schools students as a group. I think this is illustrated by the fact that the average percent of borrower characteristics on a cumulative basis from fiscal year 1968 through 1974 indicates that vocational schools which for the most part are proprietary, sir, have a 37.2-percent content in the Federal program, versus 6-percent content in the guarantee agency program.

Mr. O'HARA. Yes. At the bottom of page 8, you say: "All vocational school borrowers accounted for about 37 percent of total loans disbursed and nearly 60 percent of total defaults under the Federal program."

Mr. KOHL. They don't prohibit it, sir, but they don't lend to it either in any great degree.

Mr. O'HARA. So one of the reasons then we ought to continue the federally insured program is to make sure that students who are going to attend proprietary schools continue having access to loans.

Mr. KOHL. I would——

Mr. BELL. Public vocational schools.

Mr. KOHL. Of which a large proportion are proprietary.

Mr. O'HARA. Well, this I find interesting because, if you feel this strongly about continued participation in the loan programs of the vocational and proprietary vocational schools, how come in your testimony and in your bill which Mr. Eshleman introduced, I believe, you proposed to discriminate between schools in terms of their ability to be lenders on precisely that basis?

You say in your bill that schools may be lenders, but no proprietary school may be.

Mr. BELL. We propose in our bill that private proprietary schools not be permitted to be lenders.

Mr. O'HARA. Here I have you objecting to the termination of FISL because that would discriminate against private proprietary vocational schools. That is one of your reasons. Then you in your own bill propose to discriminate against them by not letting them be lenders.

Mr. BELL. Our emphasis would be on the student. As we interpret it—and I hope I am not wrong in this— that you would effectively prohibit their participation at all, or at least if we went to State guarantee agencies because of their practices they would have minimal participation.

We think there is an enormous difference between that and the less severe action of just saying to private proprietary schools: You can't get into the paper rolling business by also being a lender.

There are some practices there that we think we have got to bring under control that we are now working on.

Mr. O'Hara. The whole notion, you know, of the loan program is one that I am concerned about—the size of loans. You also disagree with my limitation on size of loans, but I am intrigued by your insistence on a half need for BOG.

What would you think of half of need for a loan?

Mr. Bell. We think that would be quite restrictive, and you could respond that that is inconsistent with our other position, and we would say

> That the one matter, the resources are coming from the private sector and apparently they are available there and apparently the private sector must feel that this is to their advantage to do this.

So this makes it possible for us to help students in attending college without putting the stress on the Federal budget that I think we all are concerned about.

Mr. O'Hara. I will tell you I am very much concerned about the amount of the loans under the current program, very much concerned, and that is one of the reasons I propose some limit on the size of loans.

You know, it used to be in almost all the States that we protected young people from entering into loan obligations by keeping the age of majority at 21 and limiting their ability to enter into a binding contract.

If you loaned money to someone under 21 and then you tried to collect and they refused to pay, why you could not—and you went into court, you would be thrown out again.

Now the age of majority has been reduced and now not only are we permitting them to borrow money, we are encouraging them to borrow money. We want them to get in over their heads. I don't know—I don't think that I much care for that kind of assistance to people.

I think a loan program ought to be available to meet—after you have met most of your expenses from other sources—to meet perhaps a minor share of your expenses from a loan. It might make sense, but to try to meet anything like a major part of your expenses with a loan is, to my mind, very dangerous.

Mr. Bell. Mr. Chairman, in some cases—take medical students—we would anticipate that after the students graduate, and with the income of an M.D., that they would be able to handle a loan of a considerable size.

If we put an arbitrary lid on this it would deny them a resource to complete their medical education and fill a great shortage that we have in the country.

This is just one of a number of examples I think we could give where, depending upon the student and the objective of the student and how the student is progressing and what their income potential might be later on, they might well handle a loan of that size, and, as

I say, I share the concern about young people being saddled with excess debt. There is no question about that.

We help it by paying the interest and the subsidies that you well know about and have helped to get on the statute books.

Mr. O'HARA. Well, I really wonder about a budget that says: Let us cut off grants to medical schools, but let us loan more money to those 6,000-some medical students who can't find a place in our U.S. schools and are going to school somewhere else. I don't know. Thank you very much.

Dr. TROTTER. I would like to say before we close our discussion that as we go through this process we very much want to work with you and cooperate and work together in every way we can, because I think we really want the same thing in the end.

Mr. O'HARA. I think there may be more congruity in our objectives than might have appeared from my questioning, but there are some points at which we deviate about which I am extremely sensitive and which I consider to be central.

Mr. BELL. Yes, sir, I recognize that.

Mr. O'HARA. Thank you very much and I do look forward to working with you and, in doing so, I hope to persuade you to my point of view.

The subcommittee stands adjourned until tomorrow.

[Whereupon, at 11:55 a.m., the hearing was adjourned.]

THE STUDENT FINANCIAL AID ACT OF 1975

WEDNESDAY, APRIL 9, 1975

House of Representatives,
Subcommittee on Postsecondary Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 9:45 a.m., pursuant to call, in Room 321, Cannon House Office Building, Hon. James G. O'Hara (chairman of the subcommittee) presiding.

Members present: Representatives O'Hara, Chisholm, Biaggi, Blouin, Simon, and Mottl.

Staff members present: Jim Harrison, staff director; Webster Buell, counsel; Elnora Teets, clerk; Bill Diefendorfer, minority staff.

Mr. O'Hara. The subcommittee on Postsecondary Education will come to order.

Our hearing today is a continuation of the hearings that have been conducted by this subcommittee on H.R. 3471 and related bills dealing with title IV of the Higher Education Act.

Our first witness this morning will be Robert J. Kibbee, who is chancellor of the City University of New York and who is representing the American Association of State Colleges and Universities.

Chancellor Kibbee, we would be very happy if you would take your place at the table and give us the benefit of your thinking on the problems facing the committee.

STATEMENT OF ROBERT J. KIBBEE,, CHANCELLOR, THE CITY UNIVERSITY OF NEW YORK, REPRESENTING THE AMERICAN ASSOCIATION OF STATE COLLEGE AND UNIVERSITIES, ACCOMPANIED BY JOHN MALLEN, DIRECTOR OF LEGISLATIVE RELATIONS, AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES AND LAWRENCE GOLD, DIRECTOR OF FEDERAL RELATIONS, CITY UNIVERSITY OF NEW YORK

Mr. Kibbee. Mr. Chairman, sitting with me today are Mr. John Mallen from AASCU and Mr. Larry Gold, CUNY's legislative representative here in Washington.

Mr. Chairman and members of the subcommittee, I am Robert Kibbee, Chancellor of the City University of New York, and I am happy to testify this morning on behalf of the American Association of State Colleges and Universities.

The Association has a staff paper which I am submitting for the record, but at this point I would like to talk about the highlights of H.R. 3471 from my own perspective.

Mr. Chairman, for 128 years the City University of New York has tried to embody the basic purpose of your legislation: To make sure that the doors of postsecondary education are never closed because of a person's financial circumstances. This experience has led us to form some basic conclusions about students assistance which I would like to share with you.

First, we believe that low or no tuition is the best way to promote access to postsecondary education. We think the record speaks for itself. As a result of our zero tuition and open admissions policies, CUNY now enrolls over a quarter million students, making New York City's college-going rate the highest of any urban area in the country.

If the Federal Government wants to encourage access, therefore, it should become just as involved in promoting low-cost education as it is in helping students pay their bills.

Second, we have discovered that the absence of tuition does not by itself guarantee access. For example, next year there will be more than 59,000 people at CUNY who will require about $51.4 million in Federal student aid to pay for their books, transportation, housing, and maintenance.

This implies that the major stumbling block to access at a low-cost institution is subsistence, not instruction expenses.

Third, we believe that when the resources available for student assistance are limited, there is no fairer way to allocate them than on the basis of financial need, even though it is perfectly proper to develop different kinds of programs to deal with different levels of need.

And, finally, we have concluded that there ought to be a national grant program which makes sure that everyone has the means to get an inexpensive education.

After that is guaranteed, a variety of campus-based programs can provide the extra margin of support that low- and middle-income students need to attend higher cost institutions.

Mr. Chairman, we think that H.R. 3471 accomplishes many of these objectives by eliminating the current law that restricts basic opportunity grants to half of a student's college-going expense.

Under the Government's own standards, it costs $1,600 to attend the City University right now. Basic grants are limited to half of this total, or $800, regardless of how poor the student is. Basic grants should be providing access to an education, and access is not a half-way concept.

A program that leaves an $800 gap at a zero-tuition institution is not providing basic access. A program that offers larger grants for attending a high-tuition college is not calculated to encourage low-cost education.

H.R. 3471, on the other hand, gives the student the maximum grant that is warranted by their resources. It also provides for a family contribution schedule based on net taxable income, which simplifies basic grant procedures without sacrificing fairness as far as we can determine.

I would, however, urge the subcommittee to reconsider the maximum grant awarded under H.R. 3471, not only because it is too low, but also because there is no policy rationale behind it.

The maximum grant figure should not be set in a vacuum. It should bear some realistic relationship to the purpose that the program is supposed to serve.

Since the basic purpose is access and the key to access is subsistence, then the maximum basic grant should be based on average noninstructional costs according to a yearly national survey.

I also think that participation in the program will remain below expectations until its benefits are seen as stable and predictable. For that reason, I strongly urge the subcommittee to make basic grants a true entitlement program, like GI benefits.

After access is guaranteed by basic grants, the campus-based programs can be mobilized to help thousands of students who face an otherwise unbridgeable gap between their resources and expenses.

Campus-based programs are also needed to help deserving students who, for one reason or another, fail to meet the standard criteria for a basic grant.

Supplemental opportunity grants and college work-study are well suited to tackle this job, but the changes proposed in both programs by H.R. 3471 would hinder them in accomplishing this objective.

The supplemental grant formula in H.R. 3471 would scrap the simple need-based system of awarding grants on the campus. Instead, the bill would provide full-cost scholarships at any college in the country for a small number of BOG recipients who do well on a special test.

Mr. Chairman, I would be very wary of the Government getting involved, however peripherally, in determining who is smart enough to go to an expensive college and who isn't.

I would certainly be leery about basing such large awards on a single test, especially since the unreliability of high school testing is well known.

I would be concerned about the effect that open-ended grants can have on tuitions at prestige institutions, and I would wonder whether many of the potential beneficiaries are not already receiving substantial scholarships.

Most of all, I would be very concerned about denying this form of aid to the people who need it on straight financial grounds.

For the same reason, we feel that it would be unfair to eliminate financial need as the major criterion for eligibility under the college work-study program.

On the other hand, I have many reservations about the extensive reliance upon loans as a mechanism of financial aid for the needy.

I do not believe that anyone should need a loan to attend a zero-tuition institution, although almost 16,000 students at CUNY rely on them today. I also think that supplemental grants and work-study are far better than loans for very poor students at an expensive institution.

Loans can be effective in helping students with less pressing needs at high-cost colleges, but, even then, loans should be limited and the system for obtaining them should be uniform.

For these reasons, we endorse the limits on bank loan indebtedness proposed in H.R. 3471. We would not oppose the idea of relying on State guarantee agencies if there were adequate safeguards against the states forcing students into long-term loans while public tuitions are raised.

If bank loans are limited mainly to the type of student I have described, the subcommittee may want to end the current policy of subsidizing the student's interest payments until graduation.

Instead of draining Federal student aid dollars in this way, the Administration of Financial Aid Administrators has suggested that the Government meet the student's interest payments on a deferred basis only.

All of my suggestions concerning loans depend upon the passage of adequate appropriations to support grants and work-study for needy students. If such aid is forthcoming, there might be a good argument for limiting the campus-based direct loan program as H.R. 3471 proposed.

However, until we can be assured that the right kinds of aid will be available to those who need them, we are wary of scrapping the direct loan program, although steps should be taken to conform its provisions with those of the bank loan program.

Mr. Chairman, at the beginning of my testimony, I said that low or no tuition is the best way to promote access to postsecondary education. Since tuition policies are usually set at the State level, I am very glad that H.R. 3471 tries to use the state scholarship incentive program to encourage low cost public education.

Under your bill, scholarship incentive grants would be allocated among the states according to a formula that represents the state's real effort on behalf of higher education. In that formula, a state's tuition revenues would be subtracted from its measurement of effort.

We wholeheartedly support this provision because, for the first time, it would reward states for keeping tuition down. The bill also specifically allows the states to use a portion of their grants to support facilities expansion at institutions without tuition or fees.

These are important steps in the right direction, and I would like to recommend a number of ways to strengthen their effect.

First, there ought to be a maintenance of effort requirement in the bill that would prevent states from decreasing their support for public institutions in order to get matching Federal dollars for student scholarships.

Second, the state effort formula definitely should include local effort. The taxpayers of New York City, for example, are spending $280 million this year to maintain the City University, and localities in many other States support the operation of their community colleges. Their support, as well as state government support, belongs in the effort equation.

Finally, we feel that the provision allowing facilities support for institutions without tuition or fees is too restrictive. Even at the City University of New York, students pay nominal activity fees. Under the provision as it is written, we do not know of any institution that would qualify except the military academies.

H.R. 3471 would also commission a National Institute of Education study into the workings of no tuition and open admissions. The university has thrived on these policies since they were instituted, and we hope that a serious study of our experience would induce other communities to consider it as an option for themselves.

At the same time, many people need more than a liberal admissions policy and more than a student aid program in order to develop their educational potential. They need outreach. They need counseling and they need remediation.

We are grateful that H.R. 3471 recognizes this fact that continues to authorize Talent Search, Upward Bound, Special Services in colleges and Educational Opportunity Centers.

We hope that more attention will be given in the future to a systematic study of the techniques that work best under these programs.

In the long run, it may make sense to include veterans as a special target group under the TRIO programs rather than continuing the veterans' cost-of-instruction allowance. At this point, however, 22,000 veterans at CUNY are receiving more than a half million dollars in outreach, remedial, and counseling services under the veterans program.

If the subcommittee wants to place veterans services and services to the disadvantaged under the same umbrella, I think that both groups deserve hard assurances, better assurances than the bill contains now, that the activities undertaken in their behalf would not be cut back under this arrangement.

Finally, I would like to suggest two ways to improve the administration of student financial aid.

H.R. 3471 makes no change in the current law that provides colleges with an allowance for administering the campus-based programs but denies them a similar allowance under the basic grants program.

The volume of basic grants at CUNY is now nearly four times that of any other financial aid program. The investment of plant and staff resources in outreach, counseling, determination of awards, check preparation and distribution has become enormous.

We recently studied the matter and found our figures very much in line with an estimate of $30 per BOG recipient that was compiled by the National Association of Financial Aid Administrators. This works out to a little more than 3 percent of our total BOG volume.

To enable colleges to do their job properly and to engender the kind of campus cooperation that this program requires, the subcommittee should mandate the same administrative allowance for basic grants as it mandates for the other programs.

Also, I would urge the subcommittee to carefully consider Congressman Quie's suggestion that colleges be given a freer hand in transferring funds from one campus-based program to another.

The great virtue of campus-based student aid lies in its ability to deal individually and flexibly with students in need. It is time that college financial aid officers were given the discretion they need to match their responsibilities.

Mr. Chairman, that concludes my testimony. I want to thank you and the Association of States Colleges and Universities for this opportunity and I will be glad to answer any questions you may have, and my colleagues can answer some that are more technical than I can handle.

Let me reiterate that the ideas I have expressed are my own, but I think you will find them in substantial accord with the association's statement.

Mr. O'Hara. Chancellor Kibbee, let me congratulate you. Unlike some of our witnesses, you have evidently read the bill. [Laughter.]

And in my book that puts you up three or four points over almost anyone as a start. Not only have you read it, but you have understood it and you have caught from the bill some of the ideas and intentions, and I really am very pleased that you have.

I state my complete agreement with your statement which is contained right on the first page, that low or no tuition is the best way to promote an access to postsecondary education. You point out that as a result of your zero tuition and open admissions policies—and that is exactly what I would like to see all over the United States—zero tuition and open admissions policies—that City University of New York now enrolls over a quarter million students and New York City's college-going rate is the highest of any urban area in the country.

I think you can take a lot of pride in that. That is the kind of thing that I would like to see extended all over the country: an opportunity for every citizen to continue their education, without regard to whether or not they may have at an earlier age failed to seize an opportunity that was their's at that time, and have an opportunity to come back and to be welcomed back and to be given special help at no charge to them.

It seems to me that in this country, if we have a citizen who wants to learn something, who wants to learn how to do something, who wants to learn more about his society, about his history, about his civilization, that, instead of saying: "Well, yes, we can teach you possibly if you are willing to pay, if you have enough money and are willing to pay. We will teach you, and, if you are willing to conform your schedule to our's, we will teach you, but really are you sure you want us to?"

That seems to be so much of the attitude that we run into. It seems to me we ought to be saying to them: "If you want to learn something, wonderful. How can we help? What can we do to make it possible for you to do this? How can we assist you, encourage you?"

Instead I find that many of the witnesses before this committee don't really share that notion. They kind of like the system the way it is, just so long as they keep getting or expanding their share of the present student body. They are not looking toward expanding the total.

I think your point about the major stumbling block to access at low-cost institutions, being subsistence expenses is a good one.

In your second paragraph on page 2 you have concluded that there ought to be a national grant program which makes sure that everyone has the means to get an inexpensive education. I think that is right. I think that is what the grant—the basic grant program ought to be.

After that then, other programs such as work-study, which I very strongly favor, and small loans perhaps if they want a more expensive education, which is not necessarily a better education.

There are a number of distinguished graduates from your instituton which tells me that, that expensive is not necessarily better.

Mr. KIBBEE. You have one on your left, sir.

Mr. O'HARA. I know, and she is one of those who has convinced me of that. [Laughter.]

Mr. O'HARA. She didn't have to go to an ivy league school to become one of the best minds in the Congress. She did it; she perfected her intellect; at your fine institution. I don't know anything about her financial circumstances in those days, but I will bet——

Mrs. CHISHOLM. Nil. [Laughter.]

Mr. O'HARA. I bet you couldn't have afforded to go to an ivy league school. [Laughter.]

Mr. O'HARA. I think that is right. That is what the grant program ought to be, one that would make sure that everyone has the means to get an inexpensive education. Then, if they want to get a more expensive education, there ought to be different kinds of help available; right?

There ought to be work-study. There ought to be loans in a relatively modest amount. I don't think you are doing them a favor by loaning them more money, by giving them a great burden as a debt and say: "Here. What a favor we have done for you."

It is like "fly now, pay later," you know. [Laughter.]

The airlines will do that for you too. They will say: "You can go around the world for $10. What a break. Isn't that wonderful? Then you owe us $3,500 and you can pay it off over the next 10 years. Aren't you fortunate?" Well, I don't know if you are really fortunate or not, and I want to hold down the loan part of it, and you seem to agree with that.

As long as we have adequate means other than loans. Work-study would be one of those means.

Now, the maximum basic grant: Our friends in the Administration are talking about using basic grants not just for access as you are, but for choice, too.

In other words, they want them to be set up in such a way with their half-need proposal. They are saying: "Well, we need bigger basic grants and then that will permit the poor student with the aid of a large loan to go to an expensive institution. If he will also go to work on one of our subminimum wage jobs."

Well, I am not sure that that is what a basic grant ought to be, and so I tried to hold it down because I think basic grants ought to be access, just as you do.

Mr. KIBBEE. I believe it should be held down, sir. I think that what I wanted to do was sort of tie it to subsistence rather than——

Mr. O'HARA. That is a very interesting idea to take because, as has been pointed out, subsistence costs don't vary a great deal between institutions, and, if you tied it to that, pegged it to that, make it an entitlement program and at full need—none of this half-need, half-cost business—and tied it to the noninstructional costs, maybe then you could make an entitlement program and just keep funding at whatever amount it came out at.

Now, that appeals to me, sir. You are absolutely right about the maintenance-of-effort provision. It ought to be in the new SSIG formula and also the inclusion of local effort, and then this veterans cost of instruction and TRIO.

As you know, I am very, very strong for open admissions and for providing whatever help a student needs in order to do the work at an institution. If a student needs remedial work, there ought to be an opportunity for it. Then it does cost the school more, and there ought to be some way of meeting that cost.

Some of these things sort of go off on the notion that, if you are a veteran or if you are poor, that necessarily means you need special help. Well, I think some veterans do and some veterans don't. I was a veteran when I went to college and I suppose you were too.

Mr. Kibbee. Yes, sir.

Mr. O'Hara. I don't think you needed or received any special help. The suggestion that the mere fact that you are a veteran means there must be something wrong with you or the fact that you are poor means there must be something wrong with you—I don't like that notion. That is one of the problems with this—the cost of education thing. It sort of assumes that, if you are eligible for BOG, that means that you must be a deficient student in some way and need special assistance in order to do the work. I don't think that is so. I think it kind of demeans people.

You are right. I want to work it in such a way to make sure that no one is going to be deprived of any help they need and are now receiving.

Mr. Kibbee. I think that is the important thing.

Mr. O'Hara. The administrative allowance question: Rather than 3 percent, what about $30 per recipient? It seems to me that on the whole, unless we can get rid of half-cost, half-need, average BOG's at an institution like CUNY might be quite a bit lower than average BOG's at a more expensive institution, and maybe a better way would be to peg it to something like so much per BOG recipient rather than a percentage of the award.

Mr. Kibbee. If it were tied to subsistence though, it would probably be fairly comparable.

Mr. O'Hara. That is right. If you could do that and get rid of half-cost, half-need, then the percentage thing would be, I guess, all right.

Mr. Kibbee. I guess the percentage was just there because it is easier than setting dollars.

Mr. O'Hara. Yes, it is. My staff director has an idea. He said: "Why couldn't you just take it out of OE's operating budget because they are doing OE's work?" [Laughter.]

It won't cost anything.

Mr. Kibbee. Leave it to you to get the money, sir.

Mr. O'Hara. OK. Thank you very much. Mrs. Chisholm, did you have any questions?

Mrs. Chisholm. Yes, one or two questions. I am very glad to welcome you before the committee, Mr. Chancellor. There are a number of issues that are raised in this bill that I would like to get a reaction to in terms of your being the chancellor of a very large educational system in the State of New York. That is that originally the basic opportunity grants included not only the family's income but also the family's assets.

Now, the thrust of this bill moves away from using the family assets in the determination of eligibility. Now, how would that affect the student population or the entire educational scene in the City of New York?

Mr. KIBBEE. I favor the idea of eliminating assets as a consideration. In the first place, I think in one sense it sort of penalizes the thrifty. A man who has put his money away and bought himself a home and paid for it over 2 years—now, that becomes a cost, whereas someone else who might not have done that and has spent the money along the way—you assume they both had the same income when they started. Along the way, one is penalized because he put his money in an asset, and the other person is benefited by having spent it when he got it. That is one reason.

The second thing is that I think it is very difficult because most of the assets people have are not really very liquid. I think it affects farmers as well as homeowners, that you cannot sell off pieces of the farm each year to contribute to the benefits.

All you can really do is borrow on it, which gets you back to the same kind of thing, so I think it would be beneficial generally to eliminate assets. It certainly would make everything a lot simpler too. It saves time, and time is money.

I think just on general principles—I believe that eliminating assets from consideration is a wise thing. People who have lots of assets wouldn't profit by the bill anyway because they probably have them in stocks and bonds which are producing income.

Mrs. CHISHOLM. Then you have to deal with a budget, if you will. What effect would this have on the most disadvantaged persons in the population, recognizing that there is not going to be improvement in the financing of education for quite some time?

How is this going to affect the most disadvantaged families and persons in the population?

Mr. KIBBEE. I don't think it would really affect them. They have no assets generally and, therefore, their eligibility for this—the benefits of this bill, as well as the level of benefit that they would get, would be really based entirely on their family income.

Mrs. CHISHOLM. All right.

Mr. KIBBEE. Since that would be relatively low, they would be— We have a large number of students who have negative income, so we don't—The family contribution really does not enter into it.

Mrs. CHISHOLM. You wouldn't even want to go so far as to make a differentiation between different kinds of assets, would you?

Mr. KIBBEE. I don't think so.

Mrs. CHISHOLM. OK. Now, with respect to the college work-study program, eligibility for this program in the bill now is not on the basis of need. A student no longer has to be in need to be part of this work-study program. It would be open to all students.

How would this affect New York?

Mr. Kibbee. I can't tell you precisely, although I don't really favor that idea particularly. I think that need should be the first concern. If there are sufficient funds when all students who have financial need have their work-study needs met, the idea of additional funds for work-study going to students who do not necessarily have need would be perfectly all right, but I think that if you just take it off that you might get to the point where students who do not have need are enjoying the work-study benefits where students who do don't.

Mrs. Chisholm. One last question. What is your feeling or your attitude about the concept whereby all financial loans, all student loans, must be made at commercial institutions, i.e. banks, instead of going through universities?

The reason I ask that question is on the basis of my own experiences dealing with so many, many disadvantaged students from the lowest income level—the fact that said students' families do not have collateral and, because of the fact that there are still some difficulties for certain groups in our society to get loans from the commercial institutions. It is quite difficult for them to really be able to get the loans from commercial institutions, and it has redounded to their benefit in terms of being able to get the loans directly from the college or university.

Mr. Kibbee. Let me try to explain in this way. My feeling is that really needy students should never have to be put in the position of taking a loan, that if the bill operates properly that the most needy students will be taken care of through grant money only, and that they would not require loans.

Under those circumstances, I would say then the commercial outlets for getting loans are the proper ones because they go to people then who are really in a position to deal with loans over some reasonable period of time.

Now, if you go back and you say: "Well, we don't have the bill," see, what I have had to do was to base my premises, my assumptions, on what we were going to do, and I think that this bill, if properly funded and done, would take care of that problem.

It would actually mean that the really needy students would be taken care of entirely by grants, and I think that is really the only sensible way to do it, because I don't think that you saddle really needy people with those kinds of long-term obligations, for some of the reasons that you stated.

My experience is that banks tend to loan money to people who don't need it and that, therefore, in the real sense that they have assets that can cover the loan and all they are doing is making themselves more liquid, and that poor people don't have that, and that by making the very poor take loans, you are just destroying the whole idea.

If, for example, the bill weren't funded, then I think the idea of getting loans from the institutions would make it much more possible for really needy students to get loans, and, hopefully, we wouldn't need them.

Mrs. Chisholm. Thank you very much, Mr. Chairman.

Mr. O'Hara. Mr. Biaggi?

Mr. BIAGGI. First, I would like to congratulate you, Mr. Chairman, on the spirit of this bill which provides for student aid. I would appreciate it if we could move to a more austere room for hearings. [Laughter.]

But you are welcome, Chancellor Kibbee. I appreciate your comments. Chancellor, what do you say to the critics of this bill who say that it works to the disadvantage of the private institutions?

Mr. KIBBEE. Well, I don't think it necessarily works to the disadvantage of private institutions. In the first place, I think the bill considers that the first—the problem one always gets into is how one deals with the question of access and the question of choice at the same time with limited finances.

I think the bill takes a position, and that is that access is the first responsibility of the government and that, beyond access, then it has other responsibilities to enhance the choice that individuals have, but that, if you deny access, then you really are only giving choice to a limited number of people and you really are denying any opportunity to a larger number of people.

Under the concept of this bill, as I understand it, everybody is given access, and then, beyond that, people are given choice. They are given choice through the SEOG program. They are given choice through the work-study program, and they are given choice through the loan program.

First of all comes access because then you are opening up to all of the citizenry at least the opportunity for some educational opportunity at some kind of an institution.

My personal feeling is that in this country and in our concept of what should had this experience, you know, in New York before open admissions. There were large portions of our population that were denied admission to the City University, and as soon as that open admissions policy came, the entering class of the University doubled, so that meant that half of the available students were really being denied admission to the university.

I think that the long-term benefit to the city of New York with open admissions is going to create, over a generation—it is going to be something absolutely fantastic, that we are raising a whole new generation of people who would have never had this opportunity, and God knows what they would have been doing.

Mr. BIAGGI. Conceded that access is the prime purpose of the bill, the effect of it, nevertheless, is to limit choice. Isn't that a fact?

Mr. KIBBEE. It may limit choice for some people, but it opens choice really to a lot of people.

Mr. BIAGGI. I appreciate that. As to your comment about loans and that those who apply for loans and those who generally get them are people who don't need them, how do you account for such a large default in payment of loans?

Mr. KIBBEE. I think because we have been giving loans to people who really do need them, but don't have either the tradition or the ability to do anything about it.

Mr. BIAGGI. That flies in the face of your statement that those who need don't receive.

Mr. **Kibbee.** They do now, but they mostly receive from them the colleges. I think there has been a lot of trouble—certainly there has been at the City University prior to the last year or so—of banks being willing to give loans to students. I mean, if they don't have any resources at all, their families have no resources, banks are very wary of these kinds of things, and I understand that they are in business, but it does create a problem for the student, and I think we are talking—thinking about students, not the banks.

Mr. **Biaggi.** Thank you, Mr. Kibbee. That is all, Mr. Chairman.

Mr. **O'Hara.** Mr. Simon?

Mr. **Simon.** First of all, I like your statement in the response to Mr. Biaggi on access. I like the spirit of this bill in making available the low-cost idea. I am concerned about the point that Mr. Biaggi made, and I see the problems that the private institutions face and I don't know how to solve that dilemma.

What would you—if I may make a presumption that you join me in being old enough to recall the GI bill right after World War II, what would think—and I realize we can't in the next fiscal year start something like that again, but the general idea of the GI bill, which was originally conceived as a gift to veterans, but turned out to be a massive investment in our own prosperity, which has both subsistence and assistance in some kind of a combination with a formula that encourages no tuition kind of approaches. What if we phased in a GI bill, say, over a period of 5 or 10 years? Does something like that strike you as a good thing?

Mr. **Kibbee.** I have no objection to that at all. I think the costs would be monumental. I think the costs were limited because, after all, the number of veterans had a limit and those who were going to use it had a limit, but now you are talking about every high school graduate, and that is a different group.

I think you would find the cost, if you did it in the way that the GI bill was done—It would be a massive thing. I would certainly applaud it if Congress is willing to consider it.

Mr. **Simon.** It is very interesting that the same objection was raised at the time, if you look back to history, that the GI bill was much too massive, that it would be way too expensive, that it was noble in concept.

Mr. **Kibbee.** I agree with you completely. It made a tremendous effect upon our whole society, I think, and there is no doubt about it. It created our future for us. I think the same thing would happen if you did it now.

All I am saying is that the cost, the relative cost, would be much larger, and that would be something that everybody would have to consider. It certainly would be worthwhile if someone wants to float that bill, and I would be glad to pump for it.

Mr. **Simon.** I have no further questions, Mr. Chairman.

Mr. **Kibbee.** Thank you very much, Mr. Biaggi and Mrs. Chisholm, for coming.

Mr. **O'Hara.** Thank you very much, Chancellor. We certainly enjoyed having you. When we get to working on our civilian GI bill, we will call you in and you can help us draft it.

Mr. **Kibbee.** I will be glad to.

Mr. O'Hara. Thank you very much.

[Supplemental statement follows:]

AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

Testimony on H.R. 3471, submitted as a supplement to the statement by Chancellor Robert Kibbee, City University of New York, to the House Subcommittee on Postsecondary Education. April 9, 1975.

OUTLINE OF AASCU STAFF MEMORANDUM

1. *Intent*—The intent of H.R. 3471 with respect to basic access, discouraging tuition increases, and discouraging expensive student loans is highly laudable.

2. *Cost of Education*—AASCU hopes the Subcommittee will not support the proposal to deal with cost-of-education at a later time; it is essential to holding down tuition at both public and private colleges. *It should remain in Title IV.*

3. *BEOG*—The ending of half-cost will do a great deal for basic access, provided the maximum is kept at $1400 or preferably tied to annual non-instructional cost, and provided appropriations are increased.

NIE, USOE, or Congress should make studies to determine why more students are not applying for BEOG and other student aid, and why the percentage of high school graduates going to postsecondary education is falling. They should also study TRIO and other outreach programs.

4. *SEOG*—AASCU opposes the proposed change in SEOG.

5. *SSIG*—AASCU fears that SSIG and other student aid programs can encourage higher tuition and less support for public colleges, unless assurances against increased tuition are greatly strengthened.

6. *VCOI-TRIO*—AASCU doubts the suggested merger.

7. *NDSL*—Most AASCU institutions (in disagreement with CUNY) and many other colleges would probably oppose ending the subsidized loan program.

8. *GSLP*—AASCU fears the suggested shift to the states, which could encourage state loan bank and high-tuition moves.

9. AASCU believes the college-based programs should continue to be funded, and that Congress should consider giving all or part of such funds to colleges in a lump sum.

10. *CWSP*—Most AASCU members would probably oppose ending the needs test.

11. *Tuition requirement*—AASCU favors the proposed H.R. 3471 language to discourage tuition increases, but believes it should be *much stronger*. Proposed language is attached.

AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

STAFF MEMORANDUM ON H.R. 3471

What follows is a staff commentary of H.R. 3471, the Student Aid Act of 1975, filed by Rep. James G. O'Hara, and on some related problems of student aid legislation. It is not an official AASCU position paper, but is being circulated to the AASCU Committee on Federal Relations for comment. It touches on some highlights of the bill, but does not attempt to deal with a number of points.

1. *General Comment.*—The intent of a major part of this bill, as expressed by Rep. O'Hara in the *Congressional Record* for February 20, is highly laudable.

Particularly laudable is Mr. O'Hara's desire to provide *basic access*—enough funds that any needy student will have at least enough cash on hand to attend a low-tuition college within commuting distance, and enough to provide for a fair part of his or her need at a residential low-tuition college. Students seeking a higher-cost education would be able to turn more to SEOG (if that program were kept as it is now), work-study, and loans, as well as to BEOG.

Equally laudable is the Congressman's intention to discourage any institution from raising tuition and fees to take advantage of federal student aid programs, or as a result of federal student aid policy. Finally, Mr. O'Hara

should be congratulated for trying to discourage excessive reliance on expensive student loans as a way to finance a college education.

One amendment in H.R. 3471, with a further change and larger appropriations, would go a long way toward achieving Mr. O'Hara's goal of basic access. That is the proposal to end the "half cost" provision of BEOG, under which a student, no matter how needy, can never receive more than one-half of his or her actual need in the form of a BEOG grant. Once "half-cost" is ended, basic access can be provided for many needy students at low-tuition colleges—*provided* two other conditions are met. First, the maximum must be set at least at the present $1,400 and preferably at a higher level, possibly pegged to average non-institutional cost at all colleges as several experts have suggested. If the latter suggestion is followed, the present BEOG maximum would be somewhere between $1,600 and $2,000, and should incrase each year with rising prices.

The second proviso, of course, is that BEOG must be adequately funded, and if possible turned into an entitlement so that needy students, their parents, and their teachers and counsellors can know well in advance how much aid they can expect in attending college.

We agree with the position taken by the American Council on Education before this Subcommittee that "*this is not simply a matter for the Appropriations Committees.*" We believe that members of the authorizing committees, and all members of the House and Senate who are concerned about education, share a responsibility to work to fund education programs adequately. We know that Rep. O'Hara and a number of other Congressional leaders have repeatedly made efforts to raise appropriations and budget levels for education: we hope that others will act in the same way.

We also applaud Section 496 (a) (4) of the bill, which is intended to obtain assurances from all institutions—public, private, and proprietary—that *the availability of student assistance does not result in an increase in tuition, fees, or other charges to students. But we do not believe that this language is strong enough, given the great pressures to raise tuition from state and local governments and elsewhere.*

In the following sections, we deal with these points and other points in greater detail.

2. *Cost-of-education.—We are in complete disagreement with the chairman's decision to deal with the cost-of-education program in a separate bill, at a later time. We hope other members of the Subcommittee and full Committee will choose instead to deal with it now.*—We do not believe that any student aid program, no matter how carefully limited by assurances, can guarantee to hold down tuition or help meet rising institutional costs in both the public and private sectors. Student aid paid as tuition and fees meets only a small part of the cost of instruction per student, especially at low-tuition colleges. The deficit represents a burden on the institution which must be made up from state or private sources. Institutions already spend very large sums annually on non-federal (and often non-state) student aid; this is particularly true in the private sector.

Only funds going directly to the institution can really help hold down or reduce tuition, at a time or skyrocketing costs. State and private resources are strained in many states; states ordinarily cannot engage in deficit financing; they have tax systems which usually produce far less revenues in times of crisis. Reports from almost all states indicate great pressure from many governors and legislators to reduce spending for higher education, to turn away students (as in Florida and New Jersey) and to raise tuition—or force more students to expensive loans.

The Chairman has spoken out many times against higher-tuition proposals, and for lowering tuition to zero at least for the first two years. But only cost-of-education or some comparable program can furnish some financial relief to both public and private colleges, and help them hold tuition down.

The formula for cost-of-education could be greatly simplified; perhaps it should be a simple percentage of federal student aid funds to each institution. Perhaps there are other approaches. But Congressional intent in 1971-72 was to make it an integral part of student aid—to recognize that the federal government, through student aid, was placing a very large financial burden on colleges and universities.

Nor is it accurate to say that Congress has shown no interest in funding cost-of-education. A major 1974 move for funding, led by Senators Robert C.

Byrd and Birch Bayh, won the bipartisan support of at least fourteen Senators (many more were very interested), and might have succeeded except for the "austerity honeymoon" which followed President Ford's accession to office.

We hope therefore that the subcommittee will consider cost-of-education as an integral part of Title IV, and as an important way to work toward Rep. O'Hara's goal of encouraging colleges to hold down or reduce tuition.

3. *BEOG.*—We have already stated that the H.R. 3471 amendment eliminating the half-cost feature would help tremendously to move this nation toward universal access to postsecondary education, *provided* the maximum were kept at $1,400 or preferably higher, preferably with a maximum based on average annual non-instructional costs and with adequate funding.

The proposal in H.R. 3471 that the BEOG maximum be either $600 or the maximum grant for 1975–76, whichever is higher, would be a retreat from the present $1,400 maximum. It was estimated at one time that the maximum next year might be only about $1,505. Later, it has been pointed out that with about $135 million in BEOG being carried over from the current academic year the maximum might reach $1,400. But there is no reason to accept a maximum lower than $1,400; preferably it should be higher.

BEOG should be made an entitlement, if possible, and the authorizing committees and other members of the House and Senate should make a major effort to influence the Appropriations and Budget Committees to fund BEOG and other programs adequately.

There remain serious problems with the delivery system of BEOG, and probably with its program administration in USOE. No one seems to be sure why mis-estimates once again in the second year of the program have led to an unexpended balance of some $135 million.

An efficient BEOG system may also require better training for high school and college guidance and student aid officers perhaps with federal money: other steps are needed for better dissemination of student aid information to students and the whole society.

It may be that the present BEOG delivery system is simply not the best way to reach many potential students—that BEOG should become, if not college-based, more closely integrated with the institutions than is now the case.

Beyond this, it is possible that many students cannot be attracted to college by the offer of student assistance alone. The bill also continues Talent Search, and in Section 417B (b) (4), provides 75 per cent support to Educational Opportunity Centers to provide better information about postsecondary education to low-income students and veterans.

We recommend that the Subcommittee gather hard, specific information on the success or failure of current programs engaged in the dissemination of information, outreach, Educational Opportunity Centers, Veterans Cost-of-Instruction, and other such programs. Talent Search is a relatively small federal program, but it may be that its efforts, or the efforts of some of the projects it supports, are a relatively cost-effective way to attract additional students to postsecondary education. It may be that somewhat larger—scale funding of Talent Search, other TRIO programs, Educational Opportunity Centers, and Veterans Cost-of Instruction may be a more effective way to reach some potential students than spending the same number of dollars simply on additional student aid.

AASCU and other groups are also urging changes in the federal Vocational Education Act, to open this program to more postsecondary and adult students. Talent Search and EOC centers could help in this effort, too.

Since H.R. 3471 asks the National Institute of Education to support several studies related to open admissions, low tuition policies, and so on, we suggest that congress also ask NIE specifically to support studies of such questions as the following:

1. Why have a declining proportion of high school graduates been going on to any postsecondary education programs, in recent years?

2. To what extent is this decline a result of rising tuition and other college costs; less student aid in terms of eligible and interested students (especially in constant dollars); the ending of the draft (which does not seem an adequate explanation, because enrollment of women as well as men has declined); continuing discrimination against minorities and women, or less interest in recruiting minority or women students; an anti-college "youth culture"; the inadequacy of secondary schools; or other factors?

3. Why are so many so-called "BEOG eligibles" failing to apply for or accept a BEOG grant? (This is something USOE or Congress—possibly GAO—should study, even if NIE does not, since it is central to whether the BEOG program needs substantial changes. How do the "eligibles" who do not participate in BEOG and other aid programs differ from those who do?)

4. What factors would lead to more postsecondary attendance by "eligible" students? What is the importance of available low-tuition colleges, available and adequate student aid, and other factors to such students?

5. What is the real success or failure of outreach and information-dissemination programs such as Talent Search, EOC, VCOI, and other such programs, including those operated by institutions, states, and non-governmental organizations which are not federally funded? Which techniques appear most successful in such programs? How can they be extended to include vocational education and manpower training programs, and other forms of postsecondary and adult education?

4. *SEOG.*—Many other witnesses before the Subcommittee have been sharply critical of the proposed changes in SEOG, which would be turned from a needs-based program serving some 350,000 students to a merit-based program providing very large grants to perhaps 40,000 students—some of them not very needy. If there is a case for a special federal merit scholarship program, it should be made separately and in terms of new legislation, and not at the expense of the present SEOG program. There are also major problems of cultural bias, socio-economic basis (few children of working-class and lower-income families would probably qualify), and other problems related to whether a testing system can measure many valuable qualities and skills our society needs.

5. *SSIG.*—While we applaud the intention to make SSIG more flexible, permitting the states to use the funds for state work-study or facilities at zero-tuition colleges as well as for state grants, we feel the proposal might not work as intended in most states.

Only New York City and California have zero-tuition colleges now; other states would probably not benefit from this provision. *Further, many zero-tuition and low-tuition colleges need operating cost funds more than facilities funds, if they are to keep their low-tuition status.* Cost-of-education funds would help such colleges more than facilities funds, in many cases.

AASCU is concerned that the SSIG program in its present form can lead to increased pressures in the states to divert funds from public colleges and force them to raise tuition. In the latter part of this paper, we will comment on suggested language, stronger than that proposed in H.R. 3471, which we believe would do more to help keep down tuition.

We believe that the SSIG law should also be modified to assure a fair and reasonable participation of both public and private colleges in every state (some states now exclude one group or the other), to make part-time students eligible in all states, and to make grants portable to out-of-state institutions.

While taking no stand on the particular formula proposed to allocate funds to states for SSIG (we understand that some serious questions have been raised about it) we applaud the idea that aid to the states should take account of state effort—including the effort being made to hold tuition as low as possible.

6. *VCOI and TRIO.*—We have already suggested that some parts of TRIO, particularly Talent Search and EOC, should be studied more carefully to determine what techniques are most successful in helping to encourage low-income or disadvantaged students to attend postsecondary institution. We believe that VCOI outreach projects should also be studied.

We have doubts about combining VCOI with TRIO unless we can be certain that both programs will not suffer. TRIO might be diluted by adding veterans, who often have different problems and a different background. VCOI has served many veterans very well in its present form.

7. *NDSL.—We believe that AASCU institutions, and probably most other institutions, wish to keep NDSL as it is, for the most part. They do not wish to terminate federal support, as proposed in this bill, nor would they wish to see the present subsidized interest rate come to an end.* NDSL has been a very important source of help for a great many students at both public and private institutions for many years.

This is a difference between AASCU and the City University of New York.

8. *GSLP.*—AASCU has not received sufficient in-put about this program to make recommendations. We believe that most institutions would not wish to

see the program transferred to the states, as proposed in the bill, unless there is absolute assurance in all states that at least the same funds will be provided which are available now. We doubt that this is possible at least at present.

We are also very concerned about moves in some states—in recent years, by various political leaders and fiscal planners in such states as California, Ohio, Wisconsin, Pennsylvania—to force most or all students to take out expensive long-term loans and to raise tuition to full cost at all public colleges. These "easy loan" and "loan bank" plans can be used to justify large increases in tuition; we believe that many states would not necessarily maintain low tuition if such loan plans were available. Transferring GSLP to the states might encourage such moves.

9. *College-based Programs.*—We believe that the Subcommittee should continue to require statutory funding of the college-based programs—SEOG, NDSL, CWSP—at reasonably high levels before funding BEOG.

We believe that serious thought should be given to Rep. Albert Quie's suggestion that all or a large part of college-based student aid funds be given to the colleges as a lump sum, to administer at their own discretion.

10. *College-Work Study Program.*—Indications so far are that many AASCU institutions, especially those with a considerable number of low-income students, wish to keep the needs basis of CWSP. Perhaps when funding levels are considerably higher, or other needs have been met more fully, it may be possible to relax or eliminate this needs basis.

We applaud the proposed new Job Creation program as a very constructive and helpful suggestion.

11. *Tuition Requirements.*—As we have noted, Section 496 (a) (4) of the bill requires that each institution give assurances "that the availability of assistance to students at the institution under this title has no resulted, and will no result, in an increase in the tuition, fees, or other charges to such students."

We believe that this language is not strong enough to accomplish this most laudable purpose. Tuition and other charges are set in a variety of ways by a variety of state agencies and boards, and at public colleges often depend on overall appropriations. Governors and State legislatures often play a major role in such determinations. If appropriations are not adequate to meet college needs, the college may be forced either to raise tuition or to reduce services.

With the proposed language, many schools, public, private, and proprietary, might simply "give assurance" in a perfunctory way that federal student aid was not "responsible" for their raising tuition—that it was being raised instead because of inadequate appropriations, state board policy, rising costs, or other reasons.

What seems to be needed, especially for the SSIG program but also for others, is some way to strengthen this language, especially in relation to the diverting of funds away from public colleges to state student aid, and resultant tuition increases. More information will be needed on tuition policy determination in each state, each year. There is also a need for an appeals procedure.

AASCU therefore suggests, in addition to the proposed language, something like the following:

"It is not the intent of Congress that federal funds made available through any federally assisted student aid program in this Title, shall enable a state to reduce expenditures for institutional aid to public higher education which would otherwise have been made, or which result in an increase in public college tuition and student charges.

"The Commissioner of Education shall review annually the situation in each state to determine whether the use of federal student aid funds has encouraged any state or institution to act in such a manner. He shall examine such factors as total state appropriations for public and non-public higher education, appropriations for institutional aid and student aid in the public and non-public sectors, and tuition levels at all public institutions, includng reasons for any changes in tuition or student charges.

"The Commissioner shall make no payment of assistance under this title to any institution or state agency which does not meet these requirements.

"The Commissioner shall issue an annual report on this subject to the House Education and Labor Committee and the Senate Committee on Labor and Public Welfare, and to the general public, not later than November 15 of each year.

"Any institution or state agency in any state which feels that this has been violated shall have the right to appeal to the Commissioner and to have a hearing before the Commissioner or his repersentative."

12. *Conclusion.*—AASCU has welcomed the opportunity to submit this statement to the Subcommittee, and welcomes further opportunities to comment on proposed legislation.

Mr. O'HARA. Our next witness will be Mr. Richard C. Hawk, who is executive director of the Minnesota Higher Education Coordinating Commission. Mr. Hawk? If you would please take a place at the witness table, I understand you have others accompanying you and they can join you at the table.

STATEMENT OF RICHARD C. HAWK, EXECUTIVE DIRECTOR, MINNESOTA HIGHER EDUCATION COORDINATING COMMISSION, ACCOMPANIED BY WILLIAM R. McCONNELL, EXECUTIVE SECRETARY, NEW MEXICO BOARD OF EDUCATIONAL FINANCE, AND MACK C. ADAMS, HEAD, STUDENT SERVICES DIVISION, COORDINATING BOARD, TEXAS COLLEGE AND UNIVERSITY SYSTEM, AND H. DALE SMITH, ASSISTANT EXECUTIVE DIRECTOR FOR STUDENT AID, MINNESOTA HIGHER EDUCATION COORDINATING COMMISSION

Mr. HAWK. Thank you, Mr. Chairman.

Seated with me today are William McConnell on my far right, who is executive secretary of the New Mexico Board of Educational Finance. Next to him is Mack Adams, head of the student services division of the Coordinating Board, Texas College and University system. On my left, Dr. Dale Smith, who serves as assistant executive director of Minnesota Higher Education Coordinating Committee.

We have a formal statement, Mr. Chairman, but before I begin I would like to express sincere appreciation to this committee for the very important work that it is doing. There are few issues of greater social importance to this Nation than providing genuine access for all residents of this great country to pursue the kind of postsecondary education programs that will meet their individual needs.

I think further we should compliment the chairman for his willingness to come forth with proposals which stimulate the kind of discussions and deliberations which are necessary to effect the Federal policy.

Now, if I may proceed with my formal statement, Mr. Chairman and members of the committee, I appear before you today on behalf of several States which have developed effective State student loan programs which would be destroyed by sections 423 and 434 of H.R. 3471.

Florida, Kentucky, Minnesota, New Mexico, North Carolina, Oklahoma, South Carolina, Texas, and Wisconsin have acted responsively and responsibly in developing programs of direct lending to students through a partnership arrangement among the Federal Government, State government, the private financial sector, and institutions of postsecondary education. In addition, the office of the Arizona Board of Regents, currently developing a State loan program, has asked to be associated with this testimony.

Under this partnership arrangement, the private financial community provides the funds for loans. The State administers the program and assures that all students both urban and rural, regardless of social/economic status or the family relationships with commercial lenders, have equal access to student loans.

The institutions, under the supervision of the State, provide counseling and other services necessary to student participation in loan programs. The Federal Government makes the whole partnership arrangement possible by insuring loans under the federally insured student loan program.

Under H.R. 3471, an essential partner in this arrangement, the Federal Government, would withdraw from the arrangement and would cause these effective programs which already are serving more than 100,000 students annually to be dismantled.

Those of us responsible for State planning, policy, and program administration for postsecondary education at the State level believe that a Federal-State partnership not only is desirable, but is essential for either Federal or State action to have maximum positive effects.

Those of us responsible for State planning and policy on postsecondary education also recognize that, for the most part, it is the States which must adjust programs and policies to Federal action with respect to postsecondary education, rather than the reverse.

We understand the difficulty which the Congress faces in attempting to enact legislation which provides programs which fit the individual efforts of all of the 50 States.

I would suggest that the Congress could enhance the fit between Federal and State programs by being more flexible and permitting varied approaches to the utilization of Federal programs and funds by the individual States.

Nonetheless, we do recognize that it is generally the States which must adjust policies and develop programs to meet Federal requirements. You can enhance effectiveness by making Federal policy and requirements broad enough and flexible enough for the States to adjust in a variety of ways.

What is most frustrating is frequent changes in Federal policy which cause the States to pass legislation, develop programs, employ personnel, and incur developmental costs, only to have the Federal Government take action which requires the programs to be dismantled before long-range results have been achieved.

If we are to have any sort of Federal-State partnership in meeting postsecondary education needs, State governments and the Federal Government must be able to depend on one another.

By withdrawing from the partnership arrangement on student loans, which has been developed in nine States, the Congress would demonstrate once again that the States cannot depend on the Federal Government and that the States should be very cautious about developing programs which are based on a cooperative arrangement between Federal and State Governments.

The guaranteed student loan program has, from date of enactment, sought to encourage State participation in student loans. Although State guarantee agencies were the first organizations to participate in the guaranteed student loan program, direct State lending organizations have become important participants as well, providing more than $150 million in student loans per year.

In the absence of sufficient funds for grants to meet all student financial needs, continued availability of these student loans is essential.

Florida, Kentucky, Minnesota, New Mexico, North Carolina, Oklahoma, South Carolina, Texas, and Wisconsin have carefully planned and implemented direct lending programs to meet each of these individual States' needs.

In addition, several other States are considering direct lending programs because of the advantages of direct lending, which neither the Federal Government nor guarantee agencies provide.

In fact, States as lenders provide resources in addition to those which they could provide simply by guaranteeing loans, since it is only by making loans directly to students that the State can assure that every eligible student can obtain a loan and that all deserving students have equal access to loans.

Among the significant advantages of direct State lending programs are:

First of all, all eligible students under a direct State loan program have opportunity to obtain a loan. In some other States, access to postsecondary education may be denied for students who cannot find banks or savings and loan institutions or associations willing to provide loans for education.

Lack of access to loans is especially evident for rural students in an area served by a single bank which does not participate in student loans and low-income urban students without family banking relationships.

Second, direct State lenders reduce the many problems that schools experience in making their own loans. In many States, for example, schools which previously made loans, because their students could not obtain them elsewhere, now forward applications to the State student loan program for review and disbursement of loan funds.

The result is professional, consistent care, and diligence through a State agency in loan administration and servicing.

Third, direct State lenders provide financial institutions and other investors the opportunity to invest in higher education without forcing such investors to administer a complicated student loan program.

By buying loan program revenue bonds, private sources provide the capital to operate State lending programs. These funds represent capital which would not otherwise be invested in higher education.

Fourth, direct State lenders are dependable and consistent from year to year. Schools and students can effectively plan their budgets and count on loans whenever needed, regardless of what happens to the money markets and individual policies of individual lending institutions.

Fifth, direct State lenders, as "leading lenders" in their States, can implement consolidation agreements which can consolidate loans for each student into one payout loan with one lender. Such consolidation loans are more simple, flexible, and efficient to service than loans for the same student held by more than one lender.

Many students have denied continuing loan assistance in the middle of their academic programs when lenders have chosen to restrict student loan activity. Direct State lending provides an answer to this problem.

In spite of these several advantages, H.R. 3471, as proposed would eliminate direct State lending. We are not entirely sure of the basis for this, but we have heard some allegations with respect to it, and we would like to respond to them because we don't believe that there is a good basis in fact for them.

First of all, we have heard that direct student loans are vehicles through which States can raise tuition. The evidence does not suggest that States with direct State student loan programs have increased or will increase tuition more than States without a direct loan program.

Some evidence suggests that States with direct student loan programs are less prone to have high tuition rates. In Minnesota, for example, tuition in State colleges and State community colleges is $360 per year, well below the national average, and tuition in our area vocational-technical institutes is free.

In his message to the 1975 legislature, Governor Anderson recommended a freeze on tuition rates at the same time that he recommended that State appropriations for State scholarships and grants in aid be increased by $7.5 million.

Even if the availability of loans could be cited as a basis for increasing tuition rates, the issue would be the availability of loans and not whether or not the State makes the loans directly or guarantees the loans.

Second, we have heard that default rates for direct State lenders are higher than default rates for commercial lenders. There is no evidence of this. In fact, experience in Wisconsin indicates that the default rate for direct student loans compares very favorably with the default rate for guaranteed loans by commercial lenders in the State.

Incidentally, this is a good test situation. The State of Wisconsin has been making direct student loans for 42 years with Federal insurance for 9 years.

Third, we have heard the allegation that direct State lending is a scheme for making money for the State. Making a profit on student loan programs is prohibited by IRS regulations on revenue bonds which restrict State lenders to $1\frac{1}{2}$ percent above the cost of bonds to cover administrative expenses in the program. Some States have had to supplement such income with direct appropriations to meet total administrative costs.

The advantages of direct State loan programs are significant, while the alleged problems with such programs we find not to be supported by the evidence. For these reasons, we strongly belive that direct State lending programs ought to continue and that all States, should they elect, be allowed to implement direct loan programs with Federal insurance.

If the Congress has identified some deficiencies in the way in which direct State student loan programs are administered, action should be directed toward improving administration rather than abolishing the programs.

We doubt that serious weaknesses in the operation of State direct student loan programs can be identified. If such weaknesses can, we remain confident that they can be corrected and we are fully prepared to resolve any problems which may emerge.

The point of this testimony, Mr. Chairman and members of the committee, is not to suggest that the Congress should attempt to stimulate every State to develop a direct State student loan program.

Rather, the appeal is that you not take action which would destroy effective State student loan programs based on a cooperative arrangement between the Federal Government, State governments, the private financial community, and institutions of postsecondary education.

The larger question is the issue of dependability of the Federal Government in cooperative arrangements developed to meet student needs. Nine States have developed responsible State student loan programs specifically designed to maximize utilization of the federally insured student loan program.

We would not like so quickly to have to report to our State legislature that the laws which were passed and the mechanisms which were established must now be dismantled because the Congress has changed its mind with respect to State utilization of the federally insured student loan program.

Those of us responsible for State planning, policy formulation, and program administration for postsecondary education find our task to be a difficult one, at best. The kind of disruption which would be caused by sections 423 and 434 of H.R. 3471 makes effective State action almost impossible.

Mr. Chairman, we are indeed appreciative of these opportunities to present our views and hope that they will be received in the very constructive manner in which they were intended.

Mr. O'HARA. Mr. Hawk, maybe you could help the committee by describing exactly where you get your money and what kind of interest you pay on the money you get from private sources and who pays your administrative overhead and so forth and so on.

Mr. HAWK. Mr. Chairman, I think you should recognize that there will be some variation among the States. I think I will describe the Minnesota situation since I know that best. Others may wish to speak for other States.

In the case of Minnesota, the program is financed through the issuance of State revenue bonds. We have had one such issue, and I might say that the State of Minnesota delayed entering this business as a direct State lender as long as we thought we judicious. We wanted to provide ample opportunity to see whether or not the total needs could be met through commercial lenders.

It was only after we concluded that the total needs of our residents in the State could not be met that we entered into a direct State student loan program.

We have had only one bond issue. The interest rate on that was 4.8 percent. We make loans to students, as you know, Mr. Chairman, under this arrangement at 7 percent. The difference between that 4.8 percent and the 7 percent is used to meet administrative costs of the program in Minnesota.

The capital does, in fact, come from the private financial community, syndicated bank, which purchases revenue bonds.

Mr. O'HARA. Do you make a profit for the State?

Mr. HAWK. Mr. Chairman, we do not make a profit for the State. All of the proceeds are used for the purposes of the issue. The State has invested $1 million in the program as a supplemental kind of reserve fund and is prepared to make additional funds available to the extent that the State has to.

I would like, if I may, Mr. Chairman, in response to that, to talk just a moment about the dilemma which States face. I have already described the situation in Minnesota where we have a fairly tight budget situation.

Nonetheless, they have a very strong recommendation from the Governor for a freeze on tuition rates. We have a very strong recommendation and legislative concurrence for a substantial increase in our student financial aid programs.

We will have something in excess of $21.5 million in State scholarships and grants in aid this next session. This is an increase of almost $8 million to meet the total needs of students who have already applied to assistance under these programs. We need $50 million.

We could invest more in student loan programs if we could attract the funds and, in effect, we would have three choices. One choice would be to increase taxes. A second choice would be to increase tuition. A third choice would be to reduce the State's investment in scholarships and grants in aid. We are reluctant, Mr. Chairman, to propose any of those alternatives.

We are prepared to make additional investment in student loans to the extent that we need to. It is our desire to have the student loan programs as self-supporting as possible.

Mr. O'HARA. So the way it works now is that you sell revenue bonds or the State sells revenue bonds and you raise the capital that way, the amount you are going to lend, and then you are entirely self-sufficient after that?

Mr. HAWK. Mr. Chairman, it is not fair——

Mr. O'HARA. Do you get appropriations from the State?

Mr. HAWK. Not entirely self-sufficient. Some of the States are dependent. I think Texas, for example, depends almost entirely on State appropriations for administration.

In the case of Minnesota, what we attempt to do is to pay what we consider to be the direct cost from that interest differential that is not in fact the total cost. We do have the specific appropriation of $1 million to facilitate the program, and we incur other incidental costs which are not specifically earmarked.

Mr. O'HARA. What about the others? Texas?

Mr. ADAMS. Texas operates a program that is similar. We do—I guess we operate really two programs. We operate a noninsured program for 5 years, and the State does appropriate the expenses for that program.

The federally insured program operates just about as Mr. Hawk has outlined for the State of Minnesota.

Mr. **McConnell**. Mr. Chairman, the New Mexico program has been in operation for upward of 4 years. There had been something in the order of $25 million in loans made in that period of time.

A recent audit shows that at the moment some $200,000—we are some $200,000 in the black. That is, at the moment we have paid administrative costs, nearly all of them—there are some indirect that are not accounted for here—and have a cushion of $200,000 over 4½ years on a $25 million, so we are close to the break-even point.

Mr. **O'Hara**. Tell me just how it works. Let us suppose a student wants a loan. What does he do in Minnesota?

Mr. **Hawk**. Mr. Chairman, in the case of Minnesota, the student does in fact work with the student financial aid officer. He may obtain an application from the student financial aid officer. A student financial aid officer will assist that student in completing the application form in an understanding process.

That application form will be forwarded to us by the student or by the student financial aid——

Mr. **Smith**. By the student.

Mr. **Hawk**. The application then will be forwarded to our office by the student. The check then will be delivered to the student financial aid officer at the institution for delivery to the student.

We in fact, Mr. Chairman, will make a loan to students attending only those institutions which enter into a contract with us, agreeing to maintain some kinds of commitments. They have to make a commitment to provide counseling for the student at the time he takes out the loan. They have to make a commitment to disburse the funds to the student, make sure the student understands the implications of the receipt of the funds. They have to take responsibility for an interview with the student. They have to take the responsibility for keeping us informed of the student's status at all times.

We have not had any difficulty in good sound institutions being reluctant to enter into that kind of contract with the Commission, either institutions in Minnesota or institutions out of the State.

Mr. **O'Hara**. How do you make sure those commitments are being kept?

Mr. **Hawk**. Mr. Chairman, we have a specific provision which permits us to discontinue the contract for violation of those provisions, and we monitor those in a variety of ways with respect to each aspect of it.

We monitor with respect to spot checking. We monitor in terms of problems which may arise as a result of lack of effective action on the part of the institution representative.

Mr. **Smith**. And onsite visitations.

Mr. **O'Hara**. What about Texas? What happens if a student wants a loan in Texas? Who does he see? How does it work?

Mr. **Adams**. Very much the same way. We too form contracts with institutions. The student applies for student financial assistance. Our loan is only one element in the package of student financial assistance.

We ask that our loan be the very last element to go into that package, and our loans are available to him only on the basis of need as demonstrated in this package.

Mr. McConnell. Mr. Chairman, our program works in essentially the same manner as has been described in the other States. I would point out in our case the loans are limited to students attending institutions in New Mexico or, in a few cases, where they are attending programs under exchange programs with other States, but we find that the student, the New Mexico resident, going out of State is pretty readily able to get a loan from the private lending community because the State is picking up the bulk of the burden for making loans to the residents attending in-State.

Mr. Biaggi. Mr. Chairman, will you yield?

Mr. O'Hara. Yes.

Mr. Biaggi. One question. What percentage of institutions in the respective States have entered into contracts with the State?

Mr. Hawk. Mr. Chairman, if I may respond for Minnesota, in the case of Minnesota we certainly have a contract from 98 or 99 percent of all the eligible institutions in the State. Wouldn't that be correct?

Mr. Smith. Correct.

Mr. Hawk. In addition, we have a contract with a substantial—I don't know the number offhand—number of institutions in other States, approximately 100.

Mr. Biaggi. Why would the balance not enter into a contract?

Mr. Hawk. Mr. Chairman, the remaining 1 or 2 percent? I think that there is no reason they will not. I think it is simply a question of the fact that we are in the first year of the operation of this program and there is that much of a lag.

Mr. Biaggi. How about the other States?

Mr. Adams. Our's is very similar. We have only two eligible institutions who are not participating in our program. Both are private and one is a liberal arts institution.

Mr. McConnell. The only institution that is eligible which is not a participant is one which rejects all Federal involvement at all.

Mr. Biaggi. Back to Texas. The same reason that Mr. Hawk gave, that 1 or 2 percent not participating? Is it the same in your case?

Mr. Adams. Yes, sir.

Mr. Biaggi. Thank you.

Mr. O'Hara. Are all institutions eligible? Are all the proprietaries and the home-study institutions eligible?

Mr. Hawk. Mr. Chairman, all institutions which are approved for eligibility by the U.S. Office of Education and which is willing to make the kind of commitment which we require in our contract.

Mr. O'Hara. Same for——

Mr. Adams. We are not dealing with proprietary institutions or home-study schools.

Mr. McConnell. We are. The same.

Mr. O'Hara. What about the other States? What do they do?

Mr. Hawk. I am not—I am always reluctant to speak on behalf of other States, Mr. Chairman.

Mr. O'Hara. Just a factual question.

Mr. **HAWK**. I think most of the State programs are apparently fairly comprehensive in terms of the institutions with which they deal, at least in terms of institutions within their States.

Mr. **MCCONNELL**. That is my understanding, having been consulted by a number of them as they were setting them up. It is my understanding that is the way they were going. I do not have the specific hard data.

Mr. **O'HARA**. You never have any contact with the student then, do you? I mean other than—you finally get his form. He goes to the financial aid officer at his school, right? Or at the school he hopes to attend? The student financial assistance officer counsels him and makes the loans—I mean assists him in filling out the application and gives him the information and tells him what it is all about.

Then, after all that is done, you get the piece of paper from the student that he filled out with the assistance of the financial aid officer.

Is that the same way it works in Texas?

Mr. **ADAMS**. Yes, sir. His financial aid officer, for these purposes, is technically a member of our staff. He is designated for this purpose.

Mr. **HAWK**. Mr. Chairman, that is also the case with our program. I think we ought to elaborate on that just a bit. We have more contact with students than what the system would imply because there are problems which need attention with respect to individual cases, and those have to be handled by our staff, but essentially we are dealing with a situation in which we are concerned about a total package of aid to the student.

We are not committed to having a loan as the first kind of student aid which is available to the student. We are committed to structuring a total situation with respect to student financial need processing which puts the student directly in touch with the student aid advisor who can advise him with respect to his total needs on all the programs which are available, so the same person who advises the student with respect to the student loan program in Minnesota will also be advising the student with respect to the State grant-in-aid program and the State scholarship program and all of the Federal programs as well.

Mr. **O'HARA**. But not all institutions participate in all Federal programs. For instance, a lot of institutions don't participate in work-study as a for instance or in SEOG.

Mr. **HAWK**. I understand that, Mr. Chairman.

Mr. **O'HARA**. So—but you don't—you don't require them to, as a condition, to participate in your——

Mr. **HAWK**. Mr. Chairman, we don't require that the institution participate in any——

Mr. **O'HARA**. But it may be that the only program they are operating is your program, and so to say that you require that this be the last resort may mean that it is also the first resort, right?

Mr. **HAWK**. Mr. Chairman, I think there would be very few, if any, institutions in Minnesota which are participating only in the loan program. It clearly is not to the advantage of the institution not to take advantage of State grants which are available to institutions.

Mr. O'Hara. I am trying to figure out in what way, other than the ways that you are all familiar with having to do with repayment terms and interest deferral and so forth—in what ways, in terms of the actual impact on the student, your program differs from NDSL.

Mr. Hawk. Mr. Chairman, you are well aware of the differences in the programs themselves. I won't go into that.

Mr. O'Hara. I recognize there are differences in the amount of interest and in the repayment requirements and so forth, but with respect to the actual way it operates, are some of your institutions also participating in NDSL, Mr. Hawk?

Mr. Hawk. Mr. Chairman, the answer to that is in the affirmative. One great difference with respect to the State student loan program—there is sufficient funding to provide a loan for every student who has need for such a loan, so in that sense the approach to the program is different.

There is a fallback assistance for every kind of student who needs this kind of help, whether he is a low-income person who doesn't have a sufficient grant or other kind of aid or whether it is a middle-income person who right now because of funding levels is not eligible for a grant.

Every Minnesota resident, every person attending institutions in Minnesota now, has access to a loan. It makes no difference what the circumstances are.

Mr. O'Hara. You know your program does share some of the problems that I see with NDSL and with institutional lenders under guaranteed student loan, and that is that the institution that sets the price is also the one that handles the loan.

In other words, the—I can see the financial assistance officer saying: "Well now, we have raised tuition and fees $500 this year, but don't worry. We will just increase your loan by $500. Sign here."

That is one of the reasons I didn't want the institutions involved in lending the money. It makes it a little too easy to—it reduces consumer resistance to price increases to say: "Well, sure. It is going to cost more, but, as a matter of fact, we are in a position to increase your loan by that amount. Here you are."

I don't——

Mr. Hawk. Mr. Chairman, I understand your concern very well. I think it is a legitimate and important concern. I guess in response I would say a couple of things if I may.

First of all, I would suggest that if this is true in the case of loans, it would be even more true for the case of grants. It is much more easy to have funds available to give to the student.

I think it is easier, in fact, Mr. Chairman, to do that if you have funds to give to a student than if you are requiring a student to borrow funds to meet the increase.

My second response is that the evidence, as I look at the States with direct lending programs—I simply do not see the positive relationship of high-tuition States with direct State student loan programs.

Mr. O'Hara. Well, yes; I am not sure. I haven't looked at the statistical evidence on that, and your program is only a year old, I guess.

Mr. **Hawk.** Mr. Chairman, I would say this particular loan program is only a year old. We have been very heavily involved, as I indicated, in student financial aids.

Mr. **O'Hara.** But I do know that some of those who are, you know, pushing these programs in the various States perceive them as ways of honing down the State appropriation to State-supported institutions as an alternative to an increase in appropriations which support institutions.

Mr. **McConnell.** Mr. Chairman, could I speak to that? Our program has been in place long enough that the legislature which sets tuition for the public institutions has met five times, and there has been no increase in tuition in those 5 years. No indication that the legislature looks to this as a way of being able to raise tuition.

Mr. **O'Hara.** I would appreciate your giving me a more detailed breakdown of what has happened in the number of States that you mentioned in those terms and some of the experiences, because I have had a good deal of hesitation about having the price setters also lending the money, because it is sort of like the car dealer loaning the money, arranging for the loan on the automobile.

Mr. **Hawk.** Mr. Chairman, may I make one other comment? We will certainly be happy to comply with your request. I guess those of us who are dealing at the State level with respect to postsecondary education and responsible for at least recommending policies to State legislatures for the most part are pretty well committed to access to postsecondary education, and I think there are very few—I can't think of any of my colleagues in other States in these kinds of—with these kinds of responsibilities who would take the position that we ought to reduce State appropriations for postsecondary education.

Mr. **O'Hara.** You see, my problem is that down here in Washington I keep running into people who are telling me, for instance, that we ought to cut off the grants to the medical schools because, after all, the medical students can afford to borrow the money.

I get the same kind of thing. I run into recommendations like that made for the Committee for Economic Development. "Well, they can borrow the money." That is always the answer I get when I raise problems about higher costs.

So I recognize that perhaps the people at the State loan agencies are not philosophically at the same point of view, but, nevertheless, there are a lot of people around this town anyway that see—that take the approach that the only one who benefits from a higher education is the student, and, therefore, the student ought to pay for all of it. They pay now or they pay later.

The only ones we ought to concern ourselves about are those who cannot afford to pay. Well, that whole notion is tied up with this pushing of the loan program, and so it makes me very leery of pushing loans.

Mr. **Hawk.** Mr. Chairman, I don't know who those people are who take that position. I am fairly well acquainted with the State higher education executive officers, my counterparts, in each of the States. I have yet to hear in any of our deliberations—and Mr. McConnell can respond to this as well—I have yet to hear that viewpoint expressed by these people who have responsibility with respect to recommending State policy.

I would say another thing, Mr. Chairman. You mentioned the business of medical education. Minnesota is not a large State. We support three medical schools. We have a low tuition policy in our medical schools.

We give, in effect, grants to students in the amount of $6,000 a year to pursue medical education. I just cannot see where there is any evidence, using Minnesota as an example of a State which has a direct State lending program, that we are taking the attitude that there is not a societal benefit, and, hence, the taxpayer should not make a substantial contribution to that program.

Mr. O'HARA. You don't mind my being just a little bit suspicious, Mr. Hawk, that the reason you are speaking on behalf of the entire group is because you are the one who is in the best position to make that statement.

[Laughter.]

Mr. HAWK. I am not sure, Mr. Chairman. I am not sure I would be in any better position. Some of my counterparts——

Mr. MCCONNELL. Mr. Chairman, could I? I simply want to reiterate—I am sure you have heard this before, but I was sitting here, and some of your comments relative to the earlier testimony—sitting here thinking that you were saying you don't hear people talking about making postsecondary education available to the people who want it when they want it and so forth.

I was sitting there thinking you ought to hear from the State coordinating people because most of them are indeed saying that that is what we are supposed to be getting about in our States, opening up in the manner you were talking about.

I really believe that is where you find—in the higher education community so-called—you find a lot of people that are interested in those kinds of objectives.

Mr. O'HARA. I am certainly going to consider the whole question of the State direct lenders, and perhaps one approach to it is by saying—is providing for a continuation of State direct lending programs under certain conditions which have to do with maintenance of effort and a whole bunch of other things because—so that we make sure that abuses do not happen.

Mr. HAWK. Mr. Chairman, I think we are all completely supportive of that.

Mr. O'HARA. Mr. Simon?

Mr. SIMON. Your last sentence in your statement: The kind of disruption which would be caused by sections 423 and 434 of H.R. 3471 makes effective State action almost impossible.

I wonder if you could describe in a little more detail what would be the impact?

Mr. HAWK. Mr. Chairman, if I may respond to Mr. Simon's question, the impact, of course, in these United States would be that programs which are relatively new in the life of these kinds of programs which represent a substantial effort on the part of the States would have to be completely dismantled and destroyed, and we would have to rethink in each of these States our total approach with respect to meeting the student financial aid needs of the residents of our respective States.

Now, we can do this occasionally, and we make adjustments all the time as conditions change, but in all candor the Federal Government doesn't help us very much with effective State planning if we take what we think is a very responsive and responsible action with respect to Federal policy and then that Federal policy is changed before we have long-range results.

Mr. Simon. Are you saying that you think that certain programs would be dropped in the State of Minnesota?

Mr. Hawk. Mr. Chairman, Mr. Simon, the program could not exist in its present form without Federal insurance.

Mr. Simon. I notice—I am not sure whether you passed this out or someone else did—this resolution urging amendment of the bankruptcy act.

Mr. Hawk. Mr. Chairman, that is a resolution of my board submitted for the record.

Mr. Simon. What is your experience on bankruptcy?

Mr. Hawk. Mr. Chairman, Mr. Simon, we have had no bankruptcy as yet.

Mr. Simon. That is pretty good experience.

[Laughter.]

Mr. Hawk. May I just say we adopted that as a matter of principle and attitude with respect to it and not reflecting any problem in Minnesota. We haven't had a problem.

Mr. Simon. You mentioned the legislature is not raising tuition. In the State of Illinois, the legislature is not the body that raises tuition. I wonder in how many States the legislature would be the body to raise tuition?

Mr. Hawk. Mr. Chairman, if I may respond to that, in Minnesota technically the legislature does not set the tuition. However, the legislature makes an appropriation which reflects a total expenditure budget, and the boards responsible for governance are then responsible for setting a tuition rate which is consistent with that.

I think in most States you will find that there is a determination within some kind of range in terms of legislative intent and the actual action which occurs which restricts the governing boards in terms of how much freedom they have on tuition.

Technically, the tuition rates are set by the individual governing boards.

Mr. McConnell. Mr. Chairman, in the case I described, in the annual general appropriations act along with the appropriations for the higher education institutions, the legislature sets out the rates of tuition for residents and nonresidents.

Mr. Simon. Not by statute. Just when they consider the budget.

Mr. McConnell. It is in fact said that they shall charge these rates. In this case I believe there are very few States where it is done in that fashion. I think there are a great many States where the understandings about what will be done about tuition by the individual institutions comes out of the legislative process.

Mr. Hawk. Legislative intent based upon the appropriation.

Mr. Adams. If I may, please. In the State of Texas, the legislature does set the tuition rate, $4 per semester hour.

Mr. SIMON. If I may move to the State of Texas, let us take an area like San Antonio where there is a high percentage of students of Mexican background. Many of them have limited means.

Do you find your loan experience is a different experience in an area like San Antonio? I am not acquainted with colleges there.

Mr. ADAMS. The Mexican-American borrower is an unusually good repayer. Some of our best loan experience is in Mexican-American areas.

Mr. SIMON. But on percentage of those who seek the loans?

Mr. ADAMS. I don't know that it is any higher because those who seek loans would be governed by the amount of need that exists in an area. The loan-seeking would be about the same.

Mr. SIMON. I am suggesting a possibility that just the reverse might be true, that there would be a lower percentage. Is that possible?

Mr. ADAMS. It is possible. It would be dependent upon the institutions that are—they attended. Most of our metropolitan areas do have community junior colleges and State supported institutions where a majority of this economic background student would attend, and the amount of loan in those institutions, therefore, would average a great deal less than it would be in areas where there is a certain amount of private institutions.

Mr. SIMON. I have no further questions, Mr. Chairman.

Mr. O'HARA. Let me ask just a couple more questions. Do your States also have State guarantee agencies? Do you have a State guarantee agency?

Mr. HAWK. We do not, Mr. Chairman.

Mr. MCCONNELL. Contracted at the very beginning of the guarantee business.

Mr. O'HARA. Are you still in—you are not doing that now?

Mr. MCCONNELL. There is some activity, very little activity, in places which were on that business a long time ago or in some cases students going out of State, but almost none, almost no activity under the guarantee.

Mr. O'HARA. Of course, one of the problems is that you people work under the Federally insured program. We have 100-percent guarantee, and you had a State guarantee agency there would only be an 80-percent guarantee from the Federal Government, and the State would have to pick up the other 20, right?

Mr. HAWK. I understand that to be the case, Mr. Chairman.

Mr. O'HARA. The difficulty with restricting the lending to commercial lenders is that there may not be the same degree of access to the loan money or some student who ought to have a loan won't be able to get one.

On the other hand, I have raised the problem here. I think the greater desirability of having someone who isn't involved with the price-setting mechanism making the loan. If one were to assume an equal availability of student loans from either source—in other words, if the same number of students in the same circumstances could get loans through a commercial lender, would you not agree with me that it might be better to separate the two?

Mr. **Hawk.** Mr. Chairman, if we could—sure. I would say not just availability, but accessibility. We have students in northern Minnesota who theoretically have a loan available from a commercial lending institution in the Twin Cities, but it is not very useful to say that that loan is available to the student.

I would say if they were generally accessible to the students, much of the need for a direct-state student-loan program would be eliminated.

I don't share fully the concern that you have, Mr. Chairman. For the most part, the student financial-aid officers who assist us with the administration of these programs are not responsible for setting tuition rates in their institutions. I don't think student financial-aid officers are putting pressure on the institutions to increase tuition because of the availability of loans or the availability of grants regardless of who makes the award.

If the loan is generally available to every student, it doesn't make any difference who makes the loan. It is either available or it isn't in terms of the effect on that institution, it seems to me.

Mr. **O'Hara.** Well, I appreciate your testimony very much and I hope that you will stay in touch with us and provide us with additional information about what is happening to tuition rates in your States as compared to other States.

Mr. **Hawk.** We will be delighted to do that, Mr. Chairman. We are most grateful to have this opportunity to express our concern.

Mr. **O'Hara.** Thank you very much. You have provided us with two other documents relating to your view of student assistance, which will appear at this point in the record.

[The material referred to follows:]

Resolution Urging Amendment of the Bankruptcy Act

Whereas, education loans are different from most loans discharged in bankruptcy since students obtain permanent educational benefits from these loans, and

Whereas, collateral is not required to obtain a student loan under the provisions of the Federal Insured Student Loan Program, and

Whereas, student declarations of bankruptcy can be used to avoid repayment of student loans, and

Whereas, frequent student declarations of bankruptcy can undermine education loan programs, and

Whereas, a grace period following the completion of school, during which student loan obligations could not be discharged by bankruptcy, would permit only declarations of bankruptcy for purposes other than that of solely avoiding education loan obligations, now therefore be it

Resolved, by the Higher Education Coordinating Commission, that Congress amend the Bankruptcy Act so that student loan obligations will no longer be discharged by an adjudication of bankruptcy during either the in-school period or an additional five-year period following the completion of school, as recommended by the National Council of Higher Education Loan Programs.

As adopted by the Minnesota Higher Education Coordinating Commission, February 27, 1975.

Resolution

Whereas, the state of Minnesota has moved responsibly and responsively in developing the Minnesota State Student Loan Program by becoming a direct lender under the Federal Insured Student Loan Program; and

Whereas, the Minnesota State Student Loan Program is an effective example of federal-state and private cooperative efforts to meet student needs with capital provided by the private sector, loans made directly by the state, and persons insured by the federal government; and

Whereas, the federal-state-private cooperative effort has improved the availability of student loans for all Minnesota residents and all persons attending public and private post-secondary institutions in Minnesota; and

Whereas, the program has relieved all post-secondary institutions of the need to become direct lenders under the Federal Insured Student Loan Program and thereby reduced the potential for higher rates of default from institutional loan programs; now therefore be it

Resolved, That the Higher Education Coordinating Commission urges the Congress to continue provisions in the Federal Insured Student Loan Program which permit states to continue as direct lenders and that HR 3471 not be enacted by the Congress without modification to permit states to continue as direct lenders under the FISL Program.

As adopted by the Minnesota Higher Education Coordinating Commission, February 27, 1975.

Mr. O'Hara. Our next statement is by our colleague from Texas, Mr. Pickle.

STATEMENT OF HON. J. J. PICKLE, REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Pickle. Mr. Chairman, and members of the subcommittee, I welcome this opportunity to submit my statement of H.R. 3471. Certainly, you and I realize that this committee and this Congress will not be dealing with a more people-oriented issue than this one. The issues involved with Federal aid to postsecondary students are very important to the 10th Congressional District of Texas. There are eight universities and colleges in my district. The university student population is estimated at 70,000.

When Congress talks about revamping the Federal student loan system, that talk strikes home in my district.

I feel that there is a general acceptance that the present Federal student-aid program is not a wonderful, highly efficient way to insure every American has the opportunity to attend a college or university. Periodically, I write all the banks in Austin, Tex., where at least 45,000 students reside, and ask them to loan available money to students under the Federal program. Regretfully, Mr. Chairman, the results of my urgings have been dismal. Last year I discovered that no banks in Austin had made these student loans.

Now, I am not one of those people who thinks bankers are tight, antisocial skinflints. Nor do I feel Austin bankers are antistudent.

So my conclusion can only be that something was seriously wrong with the present Federal program.

I am therefore pleased that this subcommittee held extensive hearings on this program last year, and that the subcommittee has come up with legislation for reform.

But I want to sound a word of caution. Just because a Federal program did not work perfectly, the Federal Government should not close the door of opportunity on millions of young Americans, who need assistance to attend an institution of higher learning.

I personally think the one man who did more for higher education than any other American was Lyndon Baines Johnson.

As a young man, as a Member of the House, Senate, and as President, Lyndon Johnson knew that the solution to problems, the rededication to freedom, and the vigor to make a better world, resides on the campus. And he knew that the doors to the campus should not be for the rich and privileged only. He also knew the doors would not be opened unless the Federal Government helped. And still, the dedication of the Johnson name to higher education is tremendous. Today, Mrs. Lady Bird Johnson serves on the University of Texas board of regents.

I trust we will not turn our backs on the students. We can build all the labs, classrooms, stadiums, dorms, libraries, et cetera, that we want to—but without the undergraduates to fill them, such facilities mean nothing.

Our investment has to be a people investment more than anything else.

My specific comments are directed to how H.R. 3471 would affect a Texas State-operated student-loan program. The program is called the Hinson-Hazlewood student loan Program. The Hinson-Hazlewood program sells bonds. The proceeds from the bonds are then loaned to Texas students, who would not otherwise attend college.

This program began in 1966, but since August 15, 1971, the Federal Government has treated the State agency as a financial institution. or qualified lender. This means that the Hinson-Hazlewood loan has been insured by the Federal Government.

Six other States have this kind of program—Oklahoma, New Mexico, Minnesota, Florida, South Carolina, and Kentucky.

I cannot speak for the other six States, but I feel the Texas program is doing a good job. The program is also very important to many black and brown students.

Under H.R. 3471, the Texas program would not even get the two legislative sessions period of grace before being severed from Federal loan guarantees. The reason for this is that under H.R. 3471 the State agency would not come under the definition of eligible lender.

I would strongly urge the subcommittee to correct this oversight in the definitions so that a State agency may qualify for Federal loan guarantees.

But even more vigorously, I would ask that the subcommittee consider keeping, and even encouraging, the Hinson-Hazlewood type of program, instead of passing legislation which discourages the State program.

Certainly, if a State is willing to loan money to deserving students, the Federal Government should try to assist such programs, not hold them back.

So, Mr. Chairman, I urge that in developing legislation to help students, the 7 States that have programs to give loans should be considered and assisted by this subcommittee.

Mr. O'Hara. Our final witness for this morning will be Prof. Henry T. Yost, Jr., of Amherst College for the American Association of University Professors. Professor Yost, if you will take your place at the table.

[Prepared statement follows:]

Prepared Statement of Henry T. Yost, Jr., Professor of Biology, Amherst College, Chairman, Committee on Governmental Relations of the American Association of University Professors

Mr. Chairman and Members of the Subcommittee: I am Henry T. Yost, Jr., professor of biology at Amherst College. I am here today as chairman of the committee on governmental relations of the American Association of University Professors (AAUP). The AAUP is the largest and oldest association of college and university teachers. We have concerned ourselves with the relationships between government and higher education since the Association's establishment in 1915.

We appreciate your invitation to comment upon H.R. 3471. We commend the Chairman, Mr. O'Hara, for the extraordinary service he has provided in preparing this bill and in focusing on the crucial issues inherent in the federal program of student financial assistance. H.R. 3471 reflects a fundamental concern with both the quality and direction of the several student aid programs. It attempts to create a series of federal initiatives, many of which are consistent with our own recommendations of the past decade. It weighs heavily in favor of direct student aid, lesser reliance on the criterion of need in the implementation of student aid programs, increased efforts on the part of the States, and the lowering of tuitions, particularly at public institutions. Mr. O'Hara's introduction of the bill at this time provides an opportunity for a candid discussion of the direction in which the federal role in postsecondary education should go.

In asserting the need for a federal program of student assistance, we have repeatedly argued that "no qualified young man or woman should be denied a college or university education solely because of financial reasons." Our concern in this matter is based on an historic and enduring tradition of our profession as teachers. In the long history of higher education, the faculty has served as the catalyst for encouraging students to engage in the continuing search for knowledge and truth. In our highly structured society, there exist numerous alternative opportunities available to potential students. Our purpose, therefore, is to encourage Congress to make sufficient financial resources available to qualified students in order that they will choose to continue their education beyond the secondary level.

In fulfilling its responsibility for implementation of equal opportunity and equal access, the federal government has created both an entitlement and an expectation of financial assistance to those who have insufficient financial resources to enroll in the college or university of their choice. The issue which immediately confronts this subcommittee is how to create a true entitlement and the issue which confronts all members of Congress is how can the student assistance programs and other related federal postsecondary education programs receive a higher priority of funding. The two issues are inextricably related.

H.R. 3471 utilizes the previously used trigger mechanism of requiring the full funding of at least two other student aid programs—in this case, SEOGs and CWS—before the funding of BEOGs. We fully understand the purpose, viz. to tie at least these three programs together and assure their funding. We also understand that the purpose is to guarantee substantial funding of BEOGs. But we think that the time is appropriate to be bold in carrying out the entitlement provision under the BEOGs program, to make it a true entitlement in the 1970's, and to move swiftly toward fulfilling the goal of equal opportunity.

The Education Amendments of 1972 have been regarded as the most significant piece of legislation affecting higher education since the passage of the Morrill Act in 1862. One of the reasons for their significance was the entitlement provided in the Basic Educational Opportunity Grants. We stress the entitlement provision because entitlements are relatively rare in federal legislation for higher education and this new entitlement was regarded as a major change not only for education but also for the potential structure of our society. The entitlement reflected social policy designed to assist those who lacked adequate resources and to add further to the growing proportion of our population which has been educated beyond the secondary level. Unfortunately, the level of funding, the complex needs analysis, and the family contribution schedule have frustrated the primary objective of the entitlement. Too few people have received too little money at a time when the cost of education has been pushed rapidly upward as a result of the general inflation of our economy. We believe that a reassessment of the means by which a true entitlement for the Basic Educational Opportunity Grants can be implemented is in order at the present time. We cannot find in H.R. 3471 any evidence that the entitlement has been strengthened.

If the first priority is to reassess carefully the obstacles to a true entitlement and remove them, the second priority should be to determine the desirable goals of new student assistance legislation. If the experience of the past several years has proved anything, it has confirmed the wisdom of concentrating directly on students. We believe that such concentration should be continued and expanded by retaining or creating those programs which provide maximum assistance directly to students. H.R. 3471 attempts to assist at least three types of students: (1) the student with genuine financial need based on low family income or low personal income; (2) the student with genuine financial need who is rewarded for either demonstrated or prospective academic merit; and (3) the student who, irrespective of need or merit, seeks an education at the lowest possible personal costs in an institution, presumably public, with a low or no tuition policy. In the aggregate, these are desirable goals, particularly for a society engaged in a concerted effort to equalize opportunity. But we are concerned that extended delays of fulfillment may frustrate these efforts. The Education Amendments of 1972 promised more than was delivered. The new student financial aid law should not be another vehicle of such frustrations.

But the frustrations of the Education Amendments of 1972 should not serve to give solace to those who believe that institutional aid should be the primary method of providing federal assistance to postsecondary education. We remain firmly opposed to such a method and request only the fulfillment of commitments made under the new Title IV.

On the basis of these preliminary remarks, I wish now to proceed to more specific comments about several sections of H.R. 3471.

BASIC EDUCATIONAL OPPORTUNITY GRANTS (BEOGS)

I have already expressed our position toward the entitlement provision of the BEOGs program. We recommend a true entitlement of $1600. That constitutes the 1972 entitlement of $1400 translated into 1975 dollars. If there is to be any needs test for the BEOGs, it should be related directly and solely to the adjusted gross income of the independent student or the student's family, if he or she is a dependent. H.R. 3471 removes family assets from the needs test and eliminates the one-half cost of education limitation. But it includes provision for the maximum grant, which has been one of the primary sources of frustration in the BEOGs program. The maximum grant defeats the purpose of the entitlement. As provided in H.R. 3471, the maximum grant is unrealistic. To anticipate the projected appropriation and rate of student participation in 1978 and therafter, and then to create an inflexible maximum based on the maximum grant provided in the academic year 1975–76, will undoubtedly prove to be a serious disservice to both Congress and students. We would recommend an annual review of the maximum grant, if it is to be retained as a part of the BEOGs program.

On November 14, 1974, our Association expressed its concern with the inadequate advertising of the BEOGs program to potential students. We urged then, and we continue to urge, a complete reassessment of the way in which the public is informed of the availability of these grants. We would recommend specific provision in the law mandating a program of public information concerning BEOGs.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY (SEOGS)

The purpose of the Supplemental Educational Opportunity Grants under H.R. 3471 is to provide full support for students who are eligible for BEOGs but who also show evidence of academic merit or prospective merit. As teachers, we have no difficulty in supporting legislation which attempts to assist meritorious students. If there were a true entitlement for the BEOGs, there would be no need for retaining the current SEOGs program, and a separate national merit scholarship program could be established. Until there is a true entitlement, however, assistance to needy students under the current SEOGs program is necessary and should be retained.

As structured in H.R. 3471, the merit program in the new SEOGs would raise questions immediately about the appropriate methods of selection of recipients. It is not difficult to predict the fierceness of the debate over the definition of "outstanding academic performance . . . in postsecondary school" and I frankly don't think that Congress will wish to serve as the forum for such a debate. Is an outstanding academic performance at X institution comparable to an outstanding academic performance at Y institution? And who is going to make that determination? Furthermore, there is nothing in H.R. 3471 to prevent a small cluster of students at a relatively few high-price institutions from receiving all or most of the funds under this program.

We would not want to be misunderstood about the proposal for the inclusion of the merit principle in the student financial aid program. It already exists through private funds on the campuses and through state and local programs. We would strongly recommend that the proposal be considered along with the experimental programs under Section 4 of H.R. 3471. Using the new Truman Scholarship program as a guide, we suggest that consideration should be given to establishing a program of Congressional Merit Scholarships with provision for awarding the full cost of tuition, fees, books, room and board (or for reasonable expenses of commuting) or $5,000, whichever is less, for each academic year of study. Such scholarships would be provided to the States on a formula basis and would be administered by the States in conjunction with their established scholarship programs.

We strongly support the proposed change in this program which will authorize the Commissioner of Education to make grants under the SEOGs directly to students.

STATE STUDENT INCENTIVE GRANTS (SSIGS)

One of the programs which our association has encouraged and nurtured over the last fifteen years has been the state scholarship programs. The federal SSIG program has been designed to stimulate those States which did not have such programs or whose programs were not based on need. H.R. 3471 provides a significant and welcomed increase in the authorization level from $50 million to $200 million. Under full funding, this program would add theoretically an additional $400 million ($200 million from SSIGs and $200 million from required matching state funds) to the current $500 million spent by the States under their scholarship programs.

I wish to discuss briefly the major new factor which has been introduced into the SSIG program under H.R. 3471: flexibility in the utilization of federal SSIG funds. We applaud the effort to create more flexibility in the SSIG program, but we want to be certain that the funds are utilized properly. As we understand, under H.R. 3471, SSIG funds may be used for scholarships, state-based work-study programs, or the construction of additional student facilities at zero-tuition public institutions. The State scholarship program is a very successful student aid program, and we would not care to see it lose its impact. We believe there should be a federal incentive to make all State scholarship programs available to students attending both public and private institutions and to permit portability of scholarships to out-of-state institutions. We strongly recommend that the State scholarship programs receive on a first priority basis the bulk of SSIG funds. The balance of the funds would become available for the remaining two programs only after the scholarship funds had been obligated by the federal government. Our concern is based upon the experience in recent years with proposals which purport to consolidate several distinct and unrelated meritorious programs and to permit an agency of the executive branch to determine how the funds shall be distributed among the several consolidated programs. In effect, consolidation came to mean elimination of some very desirable programs.

We believe there is need for further clarification of the program to assist in the construction of facilities at zero-tuition public institutions. The assumption appears to be that these funds will serve as an incentive to a state to build new facilities at zero-tuition public institutions and thereby increase enrollment in those institutions. We welcome this initiative because we favor a program of zero tuition wherever it can be implemented. We urge this Subcommittee to consider several additional alternatives. One is to provide an incentive for increased enrollment by providing grants to needy students for certain non-instructional costs at zero-tuition institutions. A further incentive is to provide funds for facilities and/or innovative teaching programs to States which agree to lower tuitions at their public institutions. Our purpose is to create flexibility on the part of the States as to how best to use funds which are awarded as a result of the state's conscious effort to lower or abolish tuitions. Our concern about the program as outlined in H.R. 3471 is that it may not be the quickest way to stimulate lower tuitions and it may not necessarily reward those zero-tuition institutions which require assistance. Since the funds are funneled through the State, the State is under no obligation to provide continuing assistance in succeeding years for the further expansion of facilities. Finally, we are of the opinion that at this stage the more pressing need is to provide incentives to those institutions which are capable of lowering tuitions.

COLLEGE WORK-STUDY (CWS)

College Work-Study is one of the most effective and most popular programs among the several student aid programs. We agree with Chairman O'Hara's statement of February 20 that "students . . . do want to work." The House Labor-HEW Appropriations Subcommittee has already expressed its agreement with the Chairman's observation by recommending that the College Work-Study appropriation for FY 1975 be brought up to its full authorization of $420 million. This reflects an increment of $150 million over the FY 1974 appropriation.

We endorse the requirement in H.R. 3471 that College Work-Study be fully funded before the BEOGs program is funded. We also strongly agree with the effort to make work-study employment eligible for academic credit. The elimination of need as a basis for student participation in the program creates the flexibility which the program has required from the outset.

We believe that the authorization level is too low for the number of potential participants in the fiscal years 1977–1980. The President estimates in his FY 1976 Budget that with an appropriation of $250 million there will be 520,000 students participating in CWS. Assuming that unemployment declines at a slower rate than that predicted by the President and that the rise in the cost-of-living declines at a slower rate than predicted, the need for CWS funds will be substantially greater in FY 1977–80 than in past years. With a current authorization of $420 million for a need-based CWS program, we believe it will be necessary to authorize no less than $600 million for FY 1977 with a $60 million increment each year thereafter though FY 1980 for a program which is not need-based.

The College Work-Study program has significance well beyond its stated purposes. It is a powerful means of counteracting the serious consequences of unemployment among students during the school year and the summer. It is an extension of both education policy and manpower policy and as a result deserves maximum support at a time when our economy is undergoing severe crisis.

GUARANTEED STUDENT LOANS

We strongly endorse the effort in H.R. 3471 to get the federal government and the educational institutions out of the lending business and to minimize the entire student loan program. We would make the following suggestions, however. First, until there are more feasible and better funded alternatives in the grants, scholarship, and work-study programs, it may be essential to keep the loan structure in place. Second, we would recommend that the current loan program be diminished at a very slow rate in order that there is some assurance that the States will assume the responsibility they have under this legislation and that there are adequate lending facilities and resources available to those students who may require loans. Third, we would urge that the federal government retain a small emergency federal loan program which would permit participation loans available through the federally chartered banks, savings loan associations, credit unions, and other commercial lending institutions for those persons who live in areas where there may not be adequate loan funds or in those cases of persons who are regarded as high-risk. The latter group represents primarily independent students whose families' credit ratings are poor or who have no previous credit rating. Finally, we believe it is unfortunate that those students who genuinely require and desire assistance through loans will be penalized as a result of the high rate of defaults, which we understand has been created as a result of loans made to students attending a relatively small number of proprietary institutions. It should be emphasized by this Subcommittee that students are good loan risks. As you know, there are some students very much in a hurry to get through college. They are not eligible for grants and they don't have the time to work. They are willing to borrow in order to speed up their education and move into employment. Or they are older students already employed who have decided to return full-time to college in order to change or upgrade their occupations.

We have carefully reviewed the Guaranteed Student Loan program as outlined in H.R. 3471, and we suggest that these are some of the possible interpretations of the legislation. Our interpretation of Section 425 is that the Commissioner has considerable latitude in determining the maximum loans available to both undergraduate and graduate students. We weloce this flexibility. Under Section 428A(2)(B) it appears that it is the institution which will make the determination of a student's need within the context of what constitutes need at that institution. This also reflects a type of flexibility which we welcome. We endorse the provision in Section 428(b)(1) which requires that loans made by the state loan insurance program may be used at out-of-state institutions. Under Section 437(b) we would prefer that the Commissioner treat institutions with vocational educational programs no differently from all other public and private institutions determined eligible for federal student assistance programs. Therefore, Section 437(b) should be deleted or made consistent with Part F, Section 491(b). We are opposed to the restrictive definition of "eligible lender" in Section 434(a). We believe there should be flexibility to permit state-owned lending agencies and in some exceptional instances non-profit educational institutions to serve as lenders.

NATIONAL DIRECT STUDENT LOANS (NDSLS)

H.R. 3471 proposes to phase out the NDSL program within a year. The most significant aspect of the proposal is to transfer to participating institutions the funds now administered by those institutions and to permit them to use the funds for their own student lending programs. In addition, an annual appropriation of $75 million is authorized to reimburse the participating institutions for outstanding loans which have been cancelled or forgiven under the law. These are necessary revisions in the student financial assistance program, and we trust that they will be adopted. The National Direct Student Loan program has served a most useful role in assisting those students who have required marginal assistance but are not classified as exceptionally needy. It has been of particular help to students in smaller communities who have had difficulty in obtaining Guaranteed Student Loans through local private lending institutions.

EXPERIMENTAL PROGRAM

We strongly welcome the initiatives in Section 4. We understand that one purpose of the experimental program is to test the effect upon student access and choice and institutional viability of three currently utilized policies in higher education: open admissions, low tuition and zero tuition, and contracts for educational services with private institutions. We believe that the testing of the contracts for educational services should be limited to non-profit institutions of higher education whose primary purpose is to provide collegiate or graduate training. This would be consistent, for example, with a constitutional amendment recently approved by the voters of the Commonwealth of Virginia.

Another purpose of the experimental program is to test the merit of certain courses of study which are free of cultural, socio-economic, racial, religious, sexual, and ethnic bias. As I suggested earlier, we would propose that a test of the impact of merit scholarships upon student access and choice and institutional viability also be included under Section 4.

REFUND, DISCLOSURE, AND TUITION REQUIREMENTS

Section 496 seeks to correct those situations which have developed in some institutions related to tuition refunds, disclosure of data about the institution, and instructional and non-instructional costs. It also provides that an institution must provide assurance that the granting of student assistance funds does not serve as the basis for increases in tuition, fees, or other charges to students. The penalty for failure to meet the requirements is the cut-off of institutional assistance under Title IV.

We endorse, of course, the goals of consumer protectionism in postsecondary education. But we fell Section 496 needs to be strengthened since it applies to all postsecondary institutions receiving funds under Title IV (or enrolls students receiving funds under Title IV) some of the same type of requirements proposed by the Federal Trade Commission in regulating proprietary vocational and home study schools (see *Federal Register*, August 15, 1974, 29385–90). First, we need to ask whether there is a stronger penalty which can be utilized against institutions as a result of their failure to comply with the requirements in Section 496. The proposed penalty may be illusory since the amount of institutional funds provided in Title IV is relatively small. Second, what grievance and hearing procedures are contemplated for both students and institutions? We are concerned about the mode in which Section 496 would be implemented and administered since it appears to have substantial significance within the broader area of institutional accountability.

LEVEL OF FUNDING

We are not prepared at this time to provide estimates of the dollar amounts for the changes we have recommended. However, we will be working on these estimates over the next several weeks. The cost of these programs is, of course, a function of the degree of commitment to provide a true entitlement for BEOGs and adequate funding for the remaining programs. While of necessity authorization levels should be realistic, they also should reflect concern for growth and flexibility. More significantly, they should reflect a higher priority for assistance to postsecondary education than has existed in recent years.

I am sure that the Chairman provided his cost estimates as the basis for further discussion. We also recognize the current constraints upon increased federal appropriations, perhaps even increased authorizations. But the prospective expiration of the authorizations under Title IV has stimulated a productive discussion over the past year as to the type of additional impact which student assistance programs might have if they were funded at higher levels. No theoretical rationale for a greater expenditure of federal dollars could possibly replace the hard figures in dollars and numbers of participating students since implementation of the current Title IV. Those federal dollars have stimulated county, state, and private dollar expenditures for postsecondary education. The implications for the future of our society are profound.

ADDITIONAL COMMENTS

1. While we are pleased to see in H.R. 3471 recognition of part-time and independent students, we think that further consideration should be given to defining their status in the revised Student Financial Aid Act. The increasing number of independent students (and the potential sharp increases in that number over the next several years) is an important factor in the direction the BEOGs program ought to take. The new regulations for expected family contributions for Academic Year 1975–76, which were published in the *Federal Register* on April 4, 1975, represent a major step forward in the treatment of independent students under the BEOGs program. We think the change which permits the independent student to use estimated current year income data in a BEOGs application should be incorporated into the new Act. Consideration should also be given to including the definition of independent student in the legislation.

As for part-time students, there appears to be a discrepancy in H.R. 3471 between BEOGs and SEOGs over the maximum time limit. A student may be eligible for an indefinite period for a pro-rated BEOG while a SEOG is available only for a maximum of four years and in certain exceptional circumstances for five years. We also think that consideration should be given to child care expenses for the married student as one of the basic criteria to be used in establishing regulations with respect to expected family contributions.

2. We believe that H.R. 3471 properly recognizes the role of the States in implementing their own student assistance programs. Indeed, this legislation appears to give the States increased responsibilities and opportunities. The

Federal-State partnership needs to grow stronger if the public funds for postsecondary education are to be spent rationally. However, additional flexibility is required in this legislation to assist those States which simply do not have adequate resources currently to maintain a strong higher education system. We would strongly recommend that in those situations and under some very specific guidelines reviewed by Congress, the Commissioner should be empowered to provide additional student assistance funds on an emergency basis.

3. No student assistance legislation can be viewed in a vacuum. The current economic crisis, which many observers believe will linger in some degree until 1980, has created serious deficiencies in the budget of many colleges and universities. Some of those institutions have *bona fide* financial exigency and have already dismissed qualified faculty members or are contemplating such drastic action. Direct institutional aid will not necessarily resolve this problem. What those institutions require is an influx of qualified students. But rising deficits have led to increased tuitions, and as a result, fewer students can afford to enroll. A major source of constructive assistance during this critical period would be tuition equalization grants to students. The argument for these grants is best made in the recent report of the Carnegie Council on Policy Studies in Higher Education, but our own recommendation is that grants be made on a much smaller scale and only in those circumstances in which the institution has demonstrated *bona fide* financial exigency. Furthermore, we see this primarily as an emergency measure and not as a long-term commitment to any institution.

4. Nowhere in H.R. 3471 is there recognition of a serious problem inherent in the student financial aid programs. Either by changes in regulations or changes in the law there have developed sudden shifts which have tended to disrupt the efficient operation of student-related programs, and indeed, the lives of the students who are participating. Programs in higher education require long-term commitment. Continuity is a key to success, particularly for those programs which encourage students who have inadequate resources. If changes are made in the several student aid programs, we hope that consideration will be given to continuing the same amount and form of assistance to those who were receiving assistance at the time of the changeover.

CONCLUSION

We appreciate this opportunity to provide a faculty perspective of H.R. 3471. We recognize that whatever legislation evolves from the deliberations of this Subcommittee will have a major impact on the future vitality of the academic community. Most of our students require some form of direct or indirect financial assistance. The quality of that assistance determines the stability of the academic community. That is why the type of student assistance legislation this Subcommittee agrees to is so important. The Subcommittee could simply recommend an extension of the current authorizations, but this would only accentuate the current instability. It could reach out beyond any hope of expectation and report out a bill filled with empty promises. That would only make current matters worse. Our request to you is that after very careful sifting of the data and exploration of the genuine needs of our students you approve legislation which will serve to stabilize and strengthen the academic programs of this nation.

I would welcome your questions, and I hope that you will call upon us for assistance as you continue your deliberations.

STATEMENT OF HENRY T. YOST, JR., AMHERST COLLEGE, ACCOMPANIED BY DR. ALFRED SUMBERG, AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

Mr. Yost. Mr. Chairman, I am professor of biology at Amherst College. I am here today as chairman of the Committee on Governmental Relations of the American Association of University Professors, otherwise known as the AAUP.

I am accompanied by Dr. Alfred Sumberg who is the AAUP's director of governmental relations.

Before I read this summary that my legislative assistant has prepared for me to read to you, I want to make a few comments.

First of all, I am a professor at what must be one of the most selective institutions in the United States and certainly one of the more high-priced ones. I would like to say personally I am happy to be here at the same time with representatives of CUNY, a noble experiment and, I think, a notable experiment in higher education.

The AAUP as an association, has long endorsed low tuition, zero tuition, and we think there is no conflict between that and the private institutions. We always thought that the GI bill was the best model for the support of higher education, and I wish everybody had entitlement to go to Amherst.

I cannot say that we have access for everybody. We are a little too small for that.

May I say I have just finished reading the Carnegie council's report, and I did read H.R. 3471, and what struck me most, I think, was the fact that your bill in many ways anticipates the Carnegie council, and I commend you for that. It is really remarkable and I am delighted to see that we are so close together in our views on so many things.

I think there is a consensus emerging on how to support higher education, and I think that consensus is important, and I hope that your committee as a group will recognize that that consensus is a reality and not just pie in the sky.

With all that aside, I will now read this. We appreciate your invitation to comment on H.R. 3471. We commend the chairman for the extraordinary service he has provided in preparing this bill and in focusing on the crucial issues inherent in the Federal program of student financial assistance.

H.R. 3471 reflects a fundamental concern with both the quality and direction of the several student-aid programs. It weighs heavily in favor of direct student aid, lesser reliance on the criterion of need in the implementation of student-aid programs, increased efforts on the part of the States, and the lowering of tuitions, particularly at public institutions.

In asserting the need for a Federal program of student assistance, we have repeatedly argued that no qualified young man or woman should be denied a college or university education solely because of financial reasons.

Our concern in this matter is based on an historic and enduring tradition of our profession as teachers. In the long history of higher education, the faculty has served as the catalyst for encouraging students to engage in the continuing search for knowledge and truth.

In our highly structured society, we have a healthy mix of alternative opportunities available to potential students. Our purpose, therefore, is to encourage Congress to make sufficient financial resources available to qualified students in order that they will choose to continue their education beyond the secondary level.

We believe that the issue which immediately confronts this subcommittee is how to create a true entitlement under the basic educational opportunity grants program, and the issue which confronts all Members of Congress is how can the student assistance programs and other related Federal postsecondary education programs receive a higher priority of funding. We believe the two issues are inextricably related.

I wish to stress the entitlement issue. One of the reasons for the historic significance of the education amendments in 1972 was the entitlement in the BEOG program. Entitlement has ramifications in terms of both the quantity of potential students and the potential assistance available to those in our society who solely, because of financial reasons, could not hope for any further education beyond free public secondary schools.

The recent history of funding of the entitlement has not been good. We find in H.R. 3471 too little evidence that it has been strengthened. We believe that the time is appropriate to be bold, in carrying out the entitlement.

We recommend a true entitlement of $1,600, which represents 1972 entitlement of $1,400 translated in 1975 dollars. If the entitlement were carried out, there would be no need for expected family contribution schedules, needs analysis, or maximum grants.

If there is less than the true entitlement, then the need should be related directly and solely to the adjusted gross income of the independent student of the student's family if he or she is a dependent, and the maximum grant should be reviewed annually.

We also recommend a specific provisional law mandating a program of public information concerning the BEOG's program.

We looked carefully at the revised program for supplemental grants. As teachers we have no difficulty in supporting legislation that attempts to assist meritorious students. If there were true entitlement for BEOG, there would be no need for retaining the current SEOG program, and a separate national merit scholarship program could be established.

Until there is a true entitlement, however, assistance to needy students under the current SEOG program is necessary and should be retained.

We think there are questions about the appropriate methods of selecting recipients of merit SEOG's under the revised program, and we find nothing in 3471 to prevent a small cluster of students or a relatively few high-priced institutions—and, incidentally, that is high-priced. I am going to make that distinction. There is a difference between cost and price. The cost of education is probably the same almost everywhere. It is just a matter of who bills the cost. My institution is a high-priced institution. The University of Massachusetts is a low-priced institution, but the University of Massachusetts relies on taxpayers' money to make it low-priced. We would like to see all institutions low-priced.

We would also like to say that Amherst would probably get a lot of SEOG students. While we believe it is essential to retain the need based SEOG's, we recommend that the proposal for merit scholarships be considered along with the experimentals programs under section 4 of H.R. 3471.

We refer to the Truman scholarships as a guide to the possible establishments of additional merit scholarships administered by the States in conjunction with their established scholarship programs.

We support the proposed change which will authorize the Commissioner of Education to make SEOG's directly to students. Our general position is that aid should go to students and the students should then choose. It should not be funded through institutions.

We are very partial to State student incentive grants program because over the years our State affiliates have been deeply involved in encouraging legislation creating the State scholarship programs.

We welcome the significant increase in the authorization level of SSIG's from $50 to $200 million. We also appreciate the attempt to get flexibility into the program.

However, the State scholarship programs have been so successful that we do not wish to see a sudden loss of funds to the other two programs recommended in that section.

We recommend that the first priority on the bulk of SSIG funds go to the State scholarship programs and that the remaining funds be distributed only after the scholarship funds have been obligated by the Federal Government.

We also recommend that there should be a Federal incentive to make all State scholarship programs available to students attending both public and private institutions and to permit portability of scholarships to out-of-State institutions.

We welcome the effort to assist in the construction of facilities at zero-tuition public institutions. We favor a program of zero tuition wherever it can be implemented.

Our concern about the program as outlined in H.R. 3471 is that it may not be the quickest way to stimulate lower tuitions and it may not even reward those zero-tuition institutions that require assistance.

The more pressing need, we believe—that is, the more immediate need—is to provide incentive to those institutions that are capable of lowering tuitions.

We welcome the elimination of need as the basis for student participation in college work-study program. This creates a flexibility that this program has required from the outset. We also strongly agree with the effort to make work-study employment eligible for academic credit.

However, if that program is to be successful, we are convinced that it will require a substantially larger authorization that is provided here. Our recommendation is an authorization of $600 million for fiscal year 1977 with a $60 million increment each year thereafter through fiscal year 1980.

We strongly endorse the effort in H.R. 3471 to get the Federal Government and the educational institutions out of the lending business and to minimize the entire student loan program.

We have made several suggestions for slowly phasing out the loan program because we want to be certain that the State programs are operating before the Federal program ends.

We think it is very unfortunate that those students who genuinely require and desire assistance through loans will be penalized as a result of the high rate of defaults. We hope that this subcommittee will emphasize that students are good loan risks and, while other forms of student assistance are more preferable, students should have access to loans.

We also support the effort of H.R. 3471 to phase out the national direct student loan program. In our testimony, we support the initiatives proposed in section 4. We suggest that the testing of contracts for educational services should be limited to nonprofit institutions of higher education.

We also endorse section 496 relating to refund, disclosure, and tuition requirements. We think it needs to be strengthened, and we have raised some questions which may prove helpful in determining how it can be strengthened.

We have not submitted estimates of dollar amounts to the changes we haves recommended. However, we will be working on these estimates over the next several weeks and we will submit them.

We think the cost of these programs to function at the degree of commitment to provide a true entitlement for BEOG's and a function of national priorities assigned to postsecondary education.

Obviously, we are thinking in much higher dollar amounts than those suggested by the chairman, but we would emphasize that our concern is not only with how much money for student aid, but how it can be most effectively used.

Some of the initiatives recommended by the chairman in H.R. 3471 obviously have the impact of lowering the cost of education to students. We think it is productive to consider the impact which those initiatives would have on county, State, and private dollar expenditures for postsecondary education.

I have one other thing that I want to add to this, one thing which is not in the summary and which I think needs to be stated. The Carnegie council has pointed out the serious problem facing private education. Mr. Biaggi raised the question about private education.

It is perfectly clear that in addition to what is already in the bill—we think that there should be some tuition equalization program, that that should be added to the scholarship program.

The student should get some means of going to more institutions, to a wider range of institutions, by tuition equalization grants.

Now, we will give you a more formal statement along that. I think it is included in our—in our additional comments, we have referred to specific issues involving part-time and independent students, the Federal-State partnership in assisting postsecondary education, the current budgetary crisis of education which is a bona fide financial exigency, and the need for continuity in student assistance and student related programs.

In conclusion, we commend the chairman for his advocacy of Federal initiatives that are consistent with our own recommendations over the past decade. We think that H.R. 3471 has great merit as the basis of congressional consideration of a revised student financial assistance program.

We fully support the program of direct student assistance and we urge its expansion. We do not favor a return to institutional aid as the primary Federal program for postsecondary education.

Our request to the subcommittee is that, after careful sifting of the data and exploration of the genuine needs of our students, you will approve legislation which will serve to stabilize and strengthen the academic programs of this nation.

That concludes my summary.

Mr. O'HARA. Thank you very much, Professor Yost, for an excellent summary of the position of your association. Without objection, the full text of the statement submitted by you to the committee will be entered in the record immediately before your summation.

The statement, I think, is an excellent one, and I was somewhat amused by your suggestion that one could anticipate the fierce debate that would ensue when someone started talking about introducing merit into the need-based programs. That is truly an understatement.

I am intrigued by your suggestion that if we did a better job on BOG, basic educational opportunity grants, we wouldn't need supplemental educational opportunity grants.

Mr. YOST. Yes, sir, I think that is true.

Mr. O'HARA. I think there is a great deal to be said for that, and certainly that is one of the things that we will consider as we are looking at this bill. Maybe that would be a better approach, but, of course, if we did that, we would really need to do a much better job, as you have suggested, in work-study and really have to do something about getting the loan programs straightened out.

I am pleased, of course, that you agree with my general thesis. That is, that the aid to the student ought to be to the student and not——

Mr. YOST. Definitely.

Mr. O'HARA. Talking about Amherst and the University of Massachusetts, I really wonder why more States don't get involved in the notion of tuition equaliaztion. In other words, do you have any notion of what the State of Massachusetts pays per student, per undergraduate student, for instance, at the university?

Mr. YOST. Well, unfortunately, that is a piece of homework I didn't do. It is a difficult number to get. You can divide the total appropriations for the University of Massachusetts by the number of students, and you end up with a figure that comes from close to what Amherst would consider its real cost.

Our real costs are about $9,000 per student per year, which I thought was extraordinarily high. The University of Massachusetts' budget divided by the roughly 30,000 students that are enrolled in the whole State system comes down to about $7,000, but now I am told that that is not for playing the game, that there are so many programs in the University that are not really student related that you really shouldn't take the total budget and divide it.

I can't give you the hard dollar figures that you really need. I can get them for you. I think this year the State of Massachusetts passed a law making it possible to give aid to private institutions. Massachusetts is a very strange State. It has a huge number of private institutions. You couldn't believe the number of private colleges.

Mr. O'HARA. I think I've had a letter from each one of them.

Mr. YOST. Obviously what is happening in many institutions—Are we going to spend a lot of the taxpayers' money to build more dormitories at the State institutions or are we going to supplement private institutions that would house these people?

Mr. O'HARA. I put in here this experimental program in contracting because I really think that in a lot of situations it would make a great deal of sense for the State to enter into contracts with private institutions that may have excess capacity or can be anticipated to have excess capacity in the next few years.

I think there is a real possibility that it wouldn't cost the State any more and that in the proper sort of arrangement it would provide just as good an educational opportunity on the average—in some cases a little better; maybe in some cases, not quite as good—but on the average it is certainly just as good an educational opportunity.

I just don't know why more don't do that, but, on the other hand, I don't feel like mandating them to do it. I don't think that Uncle Sam should get into the business of telling the States: "You must do this" or "We will give you money only if you do this".

Maybe in other States it would make more sense to—it wouldn't make as much sense to do that as it would in some, Massachusetts for instance. All of New England has a different tradition and a different development of higher education facilities than do the States on the West Coast, for instance, and something that makes a great deal of sense in New England might not make nearly as much sense on the West Coast, so I don't—I have been reluctant to say: "All right. You must do it this way" or "We will give you money only if you do it this way."

I would hope that somehow or other we could, through this legislation, encourage a serious examination of this possibility and see if we can't get the States taking a harder look.

Mr. YOST. I think the most important thing now is to get the idea across, and, if your bill could be part of incentive to look at that program without having to, say, mandate it at this point.

Mr. O'HARA. Your testimony has been very helpful and I do anticipate that we will have opportunities to discuss the matter again before the legislation is finally enacted, probably more than either of us looks forward to.

[Laughter.]

Thank you very much for coming up.

The subcommittee will now stand in adjournment until tomorrow at 9:30 a.m. in this room.

[Whereupon, the subcommittee was adjourned at 11:40 a.m., until 9:30 a.m., Thursday, April 10, 1975.]

THE STUDENT FINANCIAL AID ACT OF 1975

THURSDAY, APRIL 10, 1975

House of Representatives
Subcommittee on Postsecondary Education,
of the Education and Labor Committee,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to notice, in room 321, Cannon Building, Honorable James G. O'Hara, chairman of the subcommittee, presiding.

Members present: Representatives O'Hara, Mrs. Chisholm, Blouin, Simon, Mottl, Eshleman, and Smith.

Mrs. Chisholm. This hearing will come to order.

In view of the fact that our chairman, Mr. O'Hara, will be a few minutes late, we thought that we had better commence at this point and since I am the senior member, I am told, I will commence the hearing.

We are going to call forth at this point, Mr. Walter Davis, who is the director of the department of education of the AFL-CIO.

Welcome, Mr. Davis.

STATEMENT OF WALTER DAVIS, DIRECTION DEPARTMENT OF EDUCATION, AFL-CIO, ACCOMPANIED BY JOHN A. SESSIONS, ASSISTANT DIRECTOR OF THE DEPARTMENT

Mr. Davis. Thank you. Good morning.

Mrs. Chisholm. Mr. John Sessions, who is accompanying Mr. Davis, welcome.

Mr. Davis. I would like to proceed, Madam Chairman, by just reading a very brief statement and then we would be prepared to answer any questions.

My name is Walter G. Davis. I am the Director of the Department of Education of the AFL-CIO. With me this morning is Mr. John A. Sessions, the Assistant Director of our Department.

I might say we are very pleased to have this opportunity to present the views of the AFL-CIO on H.R. 3471, the student aid bill, which is now being considered by this subcommittee. We particularly want to express our gratitude to Congressman James O'Hare for his leadership in efforts to achieve higher education at low tuition. It has been the position of the AFL-CIO that low tuition is the best possible form of student aid.

I might add, parenthetically, away from the text that we recently joined the Coalition for Low Tuition with a number of other national organizations.

The AFL–CIO has a serious concern about the ccrrent trends in higher education. Our concern is essentially a consumer interest. Our sons and daughters, that is, the sons and daughters of our members constitute a large part of the student body in higher education.

We were, therefore, among the many organizations that fought for greater access to postsecondary learning through an adequate Federal investment in this field.

Among the policies adopted by our organization, a high priority has always been given to equal opportunity at all levels of education. American labor history tells us that workers have fought every step of the way to gain access for themselves and their children to educational opportunities.

Nothing has occurred to suggest a retreat at this time from our earliest commitment to fight for this goal. Indeed, there are additional reasons to strengthen our commitment for greater, rather than less, access to higher education. In today's economy, high levels of tuition are forcing high school graduates involuntarily into the labor market, swelling even further the present intolerable rate of unemployment. In the same connection, we understand that if one uses the same Federal investment it would create more jobs in education than in most other fields.

Recent figures of the College Scholarship Service indicate that the tuition at public colleges and universities will increase by 12 percent in the next school year while the percentage of needy students also has increased.

We have serious reservations about current legislative effort in the field of higher education. Everything we see represents a sharp decline in Federal commitment. This, we think, is a move in the wrong direction.

There are features which we applaud in H.R. 3471. An example is the elimination of the half-cost limitation on basic grants which could do much to encourage students to seek out those schools which are committed to the retention of low tuition. The authorization of higher maximum grants and the expansion of work-study are also welcome.

Reluctantly, however, we must conclude that H.R. 3471, in totality, is not well designed to accomplish the low-tuition goals which the AFL–CIO and the Chairman of this subcommittee have championed over the years.

There are two elements in the bill which trouble us. Under the basic educational opportunity grant program, this bill would broaden the base of eligible students and thereby further limit the available grant per student unless greatly increased funding were provided.

The effect of this could be to reduce the amount of the grant available to a student at the very time when tuition and other college costs have reached an all-time high.

Since floors tend to become ceilings, we fear that the basic grant under H.R. 3471 for AFL–CIO members' children is likely to be no more than $500 and, for many students, the actual amount allowed would be considerably less. This is hardly enough aid to make it possible for young people from low- or middle-income families to attend even relatively low-cost State colleges and universities.

I might add parenthetically here that the chart which accompanies our testimony indicates the listing of several income families and the best estimate that we have is that our membership average out at about $12,000 a year, in terms of family income. I will get to that later.

Moreover, if the program is not fully funded—and, given the record of recent Administrations, that is a reasonable fear—the basic grants would be proportionately reduced in future years. We may very well be talking of grants eventually scaled down to $300 or $400. There is no realistic way of supposing that this level of student aid will open new educational opportunities to more than a handful of young people. Too many eligible recipients will be unable to make up the actual cost and the grant differential.

So, by broadening the eligibility base and making less money available to more students, the bill might appear to be fulfilling a goal which the AFL-CIO has frequently expressed: Namely, making funds available to working people who are neither poor nor wealthy. These families can ill afford the existing costs of higher education and there has been little student aid available for them.

I want to make it clear, however, that the AFL-CIO has never suggested that the problem should be met by taking funds away from low-income and disadvantaged students and giving those funds to the children of union members.

We have, instead, urged that the problem be met by greater Federal investment.

Basically, here as in other of its sections, H.R. 3471 suffers from the fact that it is apparently designed to exist within the constraints of Administration budgetary policy—a problem that all of us understand. This inevitably leads to an unwholesome tug of war for available funds, with the result that the needs of none are adequately met.

To demonstrate the failure of H.R. 3471 to meet the real needs, we are appending to this statement a chart which shows the effect of the bill on various income levels ranging from $7,500 to $25,000 a year. The chart is based upon the assumption that the program would be funded at a level permitting maximum grants of $1,400. As we have pointed out earlier, given the recent history of appropriations, this is probably an overly optimistic assumption.

Our chart shows that, over and above the Federal basic educational opportunity grant, a two-child family earning $7,500 would need to spend 17 percent of its annual income to send one child to the average State college.

Even a family with a $25,000 income would need to spend more than a tenth of its income to send one child to a public college for a year. It is clear that these grants are in no way adequate to give any real help to low- and middle-income families. The gap, would, of course, be substantially wider in the case of private institutions.

I say, again parenthetically, in our organization that the average union member can just about forget any aspirations of sending their child to private universities, particularly the major ones.

[The chart referred to follows:]

EFFECT OF H.R. 3471 ON RESIDENT FAMILY WITH 2 CHILDREN—AVERAGE COST, 4 YEAR PUBLIC COLLEGES 1975–79 ($2,679). AT FUNDING TO $1,400 MAXIMUM LEVEL

Income	Expected family contribution (college scholarship service)	Federal grant less family contribution	Cost above grant	Cost as percent of family income	Cost over expected family contribution and Federal grant
$7,500	0	$1,400	$1,279	17	$1,279
$8,000	0	1,400	1,279	16	1,279
$9,000	$220	1,180	1,499	16.6	1,279
$10,000	450	950	1,729	17.3	1,279
$11,000	670	730	1,949	17.7	1,279
$12,000	900	500	2,179	18.1	1,279
$13,000	1,130	270	2,409	18.5	1,279
$14,125	1,450	0	2,679	18.9	1,279
$25,000	1,793	0	2,679	10.7	886

Mr. Davis. H.R. 3471, of course, includes other provisions designed to help fill the large gap between the basic opportunity grants and the actual costs of higher education.

One of these is an expanded work-study program. We have supported this program in the past. But, here again, however, we offer a word of concern. With unemployment at present high rates, we must point out that it is not an auspicious time to launch a work-study program. Students should not compete against heads of households for jobs in communities with high unemployment, and this has frequently happened in the work-study programs in the past.

The administration of this section of the bill must be carefully designed to guard against possible abuses in this area. We commend the chairman for including in the bill strong provisions against violations of the minimum wage law and against displacing employed workers; however, the AFL–CIO has always opposed subminimum provisions of the Fair Labor Standards Act permitting employers to pay students 85 percent of the prevailing minimum. We reiterate that position today.

We say that, Madam Chairman, because employers would certainly have an incentive to hire people, saving the 15 percent of the minimum wage.

A further provision of the proposed legislation would fill the grant-cost gap by providing supplemental grants to those recipients of basic grants who demonstrate "outstanding academic performance." These grants would provide the total costs of higher education minus the expected family contribution.

We have serious reservations about these provisions. The art of educational measurement is not yet sufficiently precise to determine which young people should and which should not receive Federal benefits. Minority and economically disadvantaged young people fare badly on tests, most of which are normed to white middle class children. For many years, the AFL–CIO awarded annual scholarships under the national merit scholarship program, and we can testify from our experience that that program has never shown any great success in identifying low income students who show outstanding educational promise. If these students are to share in the benefits of SEOG, a method of determining eligibility must be developed which gives them full opportunity.

Even if foolproof testing were available, we cannot accept the view that higher education is only for the intellectual elite. The late Senator Wayne Morse often said that the true test of a system of higher education is in what it does for the C students. They, he added, are the backbone of America.

And we would add that there is far too little help for them in H.R. 3471.

AFL-CIO members are fighting what is all too often a rear-guard action to keep their incomes in line with the rising cost of living. Their families include a normal share of child geniuses, but certainly no more than the normal share.

We hope for more in the way of Federal aid for them than we find in this proposed legislation.

We realize that there are many additional features in this bill, but we have confined ourselves in this statement to those which are of particular interest to the AFL-CIO.

As we have frequently stated in the past, low tuition, not a scholarship program for the gifted, is the best form of student aid. We would urge that Congress seriously turn its attention in that direction.

That completes our prepared text. I might add that we have also appended to the document a statement adopted by the recent AFL-CIO executive council, at its quarterly meeting in Bal Harbor, Fla. This is an expression of the council interests on behalf of the 14 million members of the AFL-CIO.

[Statement referred to follows:]

STATEMENT BY THE AFL-CIO EXECUTIVE COUNCIL ON HIGHER EDUCATION

The AFL-CIO has consistently supported the principle of low tuition in higher education and free tuition at least through the junior college level. Events have unfortunately been moving in the opposite direction. Mounting costs and diminishing federal, state, and private financial support have caused college tuition to rise sharply. Increasing numbers of young people are finding themselves priced out of the colleges and universities. It is a vicious cycle. As enrollments fall short of expectations, per student costs increase and a new wave of tuition increases follows, followed by a further decrease in enrollments.

The AFL-CIO has joined in a renewed campaign for low tuition with a number of educational organizations including the American Association of State Colleges and Universities, the National Association of State Universities and Land Grant Colleges, and the American Association of Community and Junior Colleges. The campaign must be carried to the federal government and to the state legislatures.

To the families of American workers, tuition costs are a matter of critical importance. Well-to-do students can afford the costs and graduate free of debt, while the widening gap between available student aid and high tuition costs denies access to higher education to the sons and daughters of low and middle-income families.

With the passage of the Higher Education Facilities Act of 1963 and the Higher Education Act of 1965, the federal government accepted a share of the responsibility for meeting the costs of higher education, but under the Nixon Administration most of these programs died for lack of funding. Institutional grants have been all but terminated. Even the annual grants to the land-grant colleges which began during the presidency of Lincoln wrere ended by the Nixon Administration.

What federal funds have been available for higher education have been increasingly limited to student aid, largely restricted to students from low-income families. In his 1976 budget President Ford proposes to reduce even this by $133,000,000 despite increasing tuition.

Higher education is an investment in human resources. The AFL–CIO urges the federal and state governments to establish funding levels high enough to insure the future stability of colleges and universities and to keep tuition low enough so that the costs of education are not shifted to students and families that cannot afford the burden.

Mrs. Chisholm. Thank you for your testimony. In view of the fact that you have registered certain concerns in your statement with respect to the general thrust of this bill, although you do applaud some of the efforts also in the same bill. I would like to get your reactions to a few basic issues on some of the programs, the student financial assistant programs of this bill.

We have had a number of witnesses that have appeared before the committee indicating that in terms of the basic opportunity grants, that they do not like to take into consideration any longer the question of family assets. We know that currently the basic opportunity grants have been based on a combination of the family income plus the assets.

What is your reaction to this? Because you have constantly said here in your testimony that we have to be pragmatic realists in terms of the funding mechanism which so often does not give the kind of funding that is necessary for the kind of educational programs that we really believe in and want to have accomplished. What is your reaction?

Mr. Davis. Our attitude is that we think that this country can afford to make a greater investment in the human resources of the country. We are developing young people for the future leadership of this country and of the world and we believe that families shouldn't go into real deep hock in order to finance the college education.

So, that my response there would be that the elimination of the assets would broaden the opportunity for people to receive whatever level of grant is available and we would support that.

Mrs. Chisholm. Now, with respect to the college work-study program. That program was based on need. Now, in this bill the program would be open to all schools. What is your reaction to that? I note in your statement that you had a definite opinion—the AFL–CIO had an opinion with respect to the entire work-study program dealing with the potential unemployment of adult citizens who might be eligible for some of the jobs that the students might take from them, particularly in this economic crunch.

But, over and beyond that, what is your reaction to the opening up of college work-study programs to all students without need determination?

Mr. Davis. I would urge that the need determination be reconsidered because certainly there are students who are attending college today who don't have the strong need for funds that others do. I speak here again from personal experience.

I have a daughter who is recruiting for Boston University and she apprises me of some situations there where the poor administration of the program—not work-study, but other programs—will find high-income students taking advantage of that and low-income students being shut out. So, it seems to me that it has to be carefully looked at.

Mrs. CHISHOLM. One other question and then I will give the Chair to the chairman. The question of the moving of student loans from the institutions themselves and making sure that these loans now would be distributed by commercial institutions, such as the banks. What is your reaction to that in the bill?

Mr. DAVIS. We have always, looking at the loan situation in previous testimony, taken the position that it hasn't been helpful at all to us because our people do not want to get their children hung into several years of payback. That is from our own experience.

We find most of our people would prefer to take conventionel loans on their own so that this burden isn't passed onto the children. I suppose that, officially, that is as far as we have commented on that point, and I would probably just let it stay at that.

Mrs. CHISHOLM. All right. Thank you. Mr. Chairman?

Mr. O'HARA. Please continue.

Mr. MOTTL. Madam Chairman, may I ask a question, please?

Mrs. CHISHOLM. Yes.

Mr. MOTTL. Mr. Davis, I noted with great interest the last part of your statement is that you would like the emphasis changed from scholarship to low tuition. Would you be in favor, or would the AFL-CIO be in favor of scrapping the entire Federal scholarship program and taking that money and then some and supplementing college tuitions throughout the country, making them lower and more accessible to more people?

Mr. DAVIS. Very frankly, that is not in our testimony, but we would like to see an entitlement type of program similar to the GI bill, and we have mentioned this in previous testimony in previous years. We think that is the way to go.

We didn't include that here because I suppose around Washington we are the most pessimistic organization about where the money is going to come from.

For that reason we failed to mention it. But, I do say here today that that is really the way we would like to go. The AFL-CIO policy position on higher education is free public education through 4 years of college. Period.

Now, that is an unrealistic thing to say today, obviously, but we still have not reacted that statement. We believe that that is the way this country will eventually have to go.

Mr. MOTTL. Thank you.

Mrs. CHISHOLM. Mr. Eshleman?

Mr. ESHLEMAN. Thank you, Madam Chairman.

Mr. Davis, I have several questions. In your testimony you said that the average family income of your union members is $12,000 a year. The average family income in my congressional district is

$11,000 a year, so I think we have something in common there. I am trying to find the same goals you are finding and trying to find.

How would you bring the gap together between the average private college tuition which is about $2,200 and the average public college which is $450.

Now, I am sure you are not giving testimony that all moderate income children should go to low cost institutions and only the children of the rich should go to the private colleges; I am sure.

How do we bring that together?

Mr. SESSIONS. I think first of all, public bodies should be primarily concerned as their first priority with public institutions, and we are concerned that there be a college available to every young person that he can go to at low tuition. Now, certainly there is a place for private institutions. An important place. We have no problems with Federal support of private institutions as Mr. Davis said.

We would like to see a kind of general GI bill which would be as useful to private institutions as it would to public institutions.

Mr. DAVIS. I recall, to extend Dr. Sessions' remarks, back following World War II, using the GI bill as an example itself, it was possible for a student to attend an ivy league institution and have the full tuition paid. I am a product of one so I know that. But. today, obviously even for veterans, it is impossible because of the big gap that has been created over the years.

Now, the figures we are using, of course, are room-and-board figures in addition to tuition, so that under the charts you will see that our assumption is $2,679. That should be a total package of what it would cost.

Mr. ESHLEMAN. Excuse me. If State and Federal Government concentrated only on public institutions largely as your colleague suggested, wouldn't that be driving only the children of the elite into the private institution. That would be segregation.

Mr. DAVIS. I see that as an effect. Certainly we discussed that.

Mr. ESHLEMAN. Yet I don't want to give aid to the private institution directly and I don't think you do either. I think it ought to be the student's choice somehow. If he wants to go to a private institution, our bill, combined with State legislation should enable him to do that.

Mr. DAVIS. Yes, what we are saying there is that what happens is that the actual amounts of the money that we are talking about in terms of grants and possible grants just fell too far short of this total.

Mr. ESHLEMAN. Now, regarding your testimony on the work-study program, I happen to have a higher opinion than you of the program and I am not criticizing you. Maybe I am wrong.

I can't see how $2 an hour work competes and keeps a bread winner from a job. I really can't. Because in my district wants ads are loaded with $2.50 and $3 an hour jobs and nobody is taking them. So, how does that keep a breadwinner from a job?

Mr. DAVIS. Well, then we would have a lot of people move into your district, if you have that kind of employment available.

Mr. ESHLEMAN. Believe me.

Mr. Davis. Our experience across the country is that it just isn't so. I was thinking of it on a national basis. Certainly there are communities around the country which are better off in terms of employment opportunities than others, but as you know and you have heard testimony and perhaps television appearances by President George Meaney as to his view with respect to what is the real rate of unemployment today.

He disagrees with the figures that are being published. There are now hundreds of thousands of people who just are no longer looking for jobs because they are disillusioned and so they are not in the figures. So, we say it is much higher than it is represented.

We found for example another point, which I wish to raise here, and this was back a few years ago when we were involved in trying to help the hard-core unemployed through special programs in Manpower. There was no question that an employer who would have hired normally just as a matter of doing business and keeping up with his competition would seek out people that obviously he could get in his production process at less cost and that is a normal thing.

So, all we are saying here is that with today's intolerable unemployment which is, we think, really on the depression level rather than on the recession level, that we would certainly hate to see a program involving students whom we are for helping pit themselves against the program of getting people back to work, which is what we are trying to do. So, we are in that dilemma, very frankly.

Mr. Eshleman. Maybe our legislation could put work-study students in a second priority. In other words, if the employer signed a statement that the job has been opened for 3 or 4 weeks and no breadwinner applied, so to speak, then he could give something like that.

Mr. Davis. That is a possible solution, I am sure.

Mr. Eshleman. That is all.

Mrs. Chisholm. Mr. Simon.

Mr. Simon. This is a question directed at the chairman right now.

The point on the 85 percent of the prevailing minimum, your bill under the work-study does not permit the use of that, does it?

Mr. O'Hara. No, it explicitly prohibits use of the subminimum wage in work-study jobs.

Mr. Simon. That is what I thought. I was interested, Mr. Davis, in your opening remarks. You referred to an organization that I frankly was not aware of. The Coalition for Low Tuition. I symphasize with that goal and I would be very interested in seeing who is in the coalition and what they are doing.

Mr. Davis. I think we might have a copy of a recent press release.

Mr. Simon. Could you very roughly describe who would be part of that?

Mr. Davis. I think the National Association of Land-Grant Colleges, the American Council and The NEA are involved in that. There are a number of organizations affiliated with us; American Federation of Teachers, and others.

The National Student Lobby is involved, and, as a matter of fact, they were in the other day to ask us to help them launch a bumpersticker campaign at 2,700 colleges and universities for low tuition. The American Association of Community and Junior Colleges; the American Association of University Professors; the American Association of University Women; City University of New York; Communication Workers of America; and United Brotherhood of Teamsters.

Mr. **Simon.** I would appreciate having that large list of national organizations.

Mr. **Sessions.** I have a copy of the initial press release here which you may have.

Mr. **Simon.** Incidentally, I would like to say I like the quote of Senator Morse that you have in there, and I tend to agree with that. As I look at your chart, I don't see the comparison here—how this bill adversely affects.

Mr. **Davis.** When you get up to our membership which is around the average family income of about $12,000, we then begin to move out of the benefit area. That is really what we're showing here. And, we just gave it the broader range of $7,500 through $25,000. I think from the point of $12,000 and perhaps from $11,000 it is in that group, that family income group, which is where the gap comes in what the benefit would be and what the total cost, over and above family contribution plus benefit.

Mr. **Simon.** I guess what I am looking for is how that compares prior to the effect of this act. And, that is not part of this graph?

Mr. **Davis.** No.

Mr. **Simon.** OK. I was looking for something that wasn't there. I have no further questions.

Mrs. **Chisholm.** Mr. Chairman?

Mr. **O'Hara.** Mr. Davis, I have the same problem that Mr. Simon does. I don't know of anything in my bill that would broaden eligibility for a basic educational opportunity grant enough to make any appreciable difference in the amount of a grant to a student.

Mr. **Davis.** The chart, itself, Mr. Chairman is really designed to give you the broad picture of how we view the total Federal program and what students will get help and what students will not get help. And, that is all.

It is just our view of how the total Federal program is going in this area.

Mr. **O'Hara.** Well, you see there is nothing in my bill other than the assets test which would suggest any change in the current BOG grant system eligibility for grant system. And, of course, the BOG schedule is a lot less generous if I can use that expression than the college scholarship service schedule that you have here. I think this is a new CSS schedule, isn't it?

Mr. **Davis.** Yes, it is

Mr. **O'Hara.** You see, under the BOG schedule, if you have got any members who are working full time whose incomes are low enough to qualify their children for BOG, you aren't doing a very good job in collective bargaining because the current BOG schedule is based on the old Social Security low-income budget figure.

Mr. **Davis.** Yes.

Mr. O'Hara. And, once you hit over about $5 or $7,000 a year, your chances of getting a BOG are going down fast. Of course, you might make it at $12,000 if you were as prolific as the chairman of this subcommittee. But, not everybody has seven kids, three of them in college at the same time.

Mr. Davis. Well, I am sure you have seen the release yesterday or the day before of the new low-income budget.

Mr. O'Hara. I would be very interested to see if the Office of Education is going to modify——

Mr. Davis. It goes $9,200.

Mr. O'Hara. Yes. You see, they are using the old one and they have given no indication as yet that they intend to switch to the new BLS figure.

Mr. Davis. I was interested to see in the new budget, there is not a mention at all of education. It is not included at all as an expense for a family living on a budget of about $9,200 a year which is in the low bracket. We are not talking about $12,000 income of individuals. It could also be a combination of both parents working arriving at that family income.

Mr. O'Hara. There is nothing in my bill that changes the BOG family contribution schedule except that it says—my bill says that you shall not count assets. Now that would bring in a few extra people, but I think in terms of the total numbers, the few it would bring in wouldn't really affect the size of the grants except in a minor way. At least, that was I believe the experience in New York and I think maybe before we finally sit down and mark up the bill, we ought to get from the New York people—we have a statement from them. We would have to get that out—about their experience last year, and their experience was, I believe, that it didn't make many extra people eligible, or very few.

Mr. Davis. Of course, in New York and California, I think you get a greater State investment.

Mr. O'Hara. But, I meant in terms of taking out assets. That doesn't much affect the number of eligibles, I don't believe.

Let me just then conclude by asking or reiterating what Mr. Simon—the point that he made. And, that is under the provisions of 3471, a work-study employer would not be privileged to take advantage of the subminimum wage provisions of the Fair Labor Standards Act. They would have to pay at least the full minimum wage.

They are denied the provisions of that section of Fair Labor Standards that permit a subminimum youth wage. They couldn't pay subminimum.

Mr. Davis. Would that amend the Fair Labor Standards Act?

Mr. O'Hara. No, it would simply say that when you are using work-study money, you must pay not less than the rate provided in sections 6(a), or whatever it is.

Mr. Davis. Our attorneys have trouble with that, that is why we raise this point. I am glad to hear that.

Mr. O'Hara. It doesn't amend the Fair Labor Standards in any way. It just says that in this, if you are using 80 percent work-study money to pay someone, you may not pay less than the full Federal minimum wage.

Mr. DAVIS. Then we would be happy. If we have any further thing to say on the point, we will be happy to submit it to the chairman.

Mr. SESSIONS. Mr. Chairman, I think perhaps the language of the bill needs to be looked at because it says, "will be paid at a rate not less than the applicable minimum wages established under section 6(a)(1) of the Fair Labor Standards Act."

Mr. O'HARA. Well, 6(a)(1) is the section that establishes the full minimum wage. The youth subminimum is established under a different provision.

Mr. DAVIS. It is section (b)(1)—something like that. All right. We will go back to our legal counsel on it. They advised us on that point, and they would differ with the chairman as to the applicability of that.

Mr. O'HARA. Well, in any event, certainly that was my intention and if there is some drafting error in that, I will correct it.

Thank you.

Mrs. CHISHOLM. Mrs. Smith, would you like to ask some questions at this point?

Mrs. SMITH. Not at this time, thank you.

Mrs. CHISHOLM. Thank you very much.

Mr. DAVIS. Thank you.

Mrs. CHISHOLM. Now, we are going to ask Mr. Charles Bayer, the executive director of the Chicago Urban Corps, and the executive director for the National Center for Public Service Internship, Mr. Richard Ungerer.

STATEMENT OF CHARLES H. BAYER, EXECUTIVE DIRECTOR, THE CHICAGO URBAN CORPS, ACCOMPANIED BY RICHARD A. UNGERER, EXECUTIVE DIRECTOR OF THE NATIONAL CENTER FOR PUBLIC SERVICE INTERNSHIP PROGRAMS

Mr. BAYER. Mr. Chairman and members of the subcommittee, my name is Charles H. Bayer and I am the representative of the Urban Corps National Association. With me is Mr. Richard A. Ungerer, who is the executive director of the National Center for Public Service Internship Programs. There are 36 active urban corps in major cities across the Nation.

Last year we placed in excess of 10,000 students in off campus work-study internship positions. We are the largest single off campus work-study placement program, and we speak with a breadth of knowledge about that part of the work-study program. I appreciate the invitation to comment on certain details of H.R. 3471, Mr. O'Hara's bill, extending and amending the law regarding student financial aid. I will limit my remarks to the work-study sections of the proposed legislation.

The college work-study program is not only a politically popular program, but as we will point out, has the capacity for the greatest dollar return of any federally funded program we know about. We, therefore, look with favor upon, and support the higher authorizations in the bill and the provisions which mandate its full appropriation. Even so, we would urge the Congress to consider even more adequate levels of funding. Not only has the need been clearly demonstrated, but there resides in this program the potential not only to provide critical financial assistance to college students, but at the same time, to have important community and public work performed; to provide a vehicle for the purposeful expansion of the academic enterprise; to identify solid future public servants; and to offer students a sense of doing something for themselves, which offers them dignity and worth. These factors multiply the value of every Federal dollar invested.

We support the provision in the legislation which seeks to remedy a sometimes unwitting tendency to be capricious in the distribution of moneys among the States. We also support the carryover provisions of the bill. Students, institutions, and agencies find it difficult to plan effectively for summer programs faced with the chaos of a system which turns June 30 into an annual doomsday.

We enthusiastically support the provision in section 445(b) which encourages the awarding of academic credit for work-study internships without making that relationship mandatory. The Chicago Urban Corps is the recipient of a grant from the fund for the improvement of postsecondary education, which has enabled us to explore and develop mechanisms for credit-bearing work-study internships. We should be pleased to supply the subcommittee with data as our research develops. Many urban corps have been active in expanding the productive use of work-study funds by adding an academic component to the experience, so that without additional costs jobs are turned into authentic internships.

While we support the intent of the bill to encourage the development of more off campus positions through the job creation program of section 447, we must raise a clear warning about the potential effect—or lack of it—of this provision. Since urban corps are deeply involved in job creation programs in the public and not-for-profit sectors, we are aware that even job development under an attractive 80-percent to 20-percent ratio is hard work.

This bill effectively limits the job creation program to the private sector, for if work-study interns are available for 20, 30, or 40 percent, no job creation program at 100 percent is going to thrive. We realize that there has been a call for work-study to be opened to the private section.

Section 447 is an effort to respond to that point of view. While we agree that it would be unfair for Federal dollars to be used in support of profitmaking businesses, nevertheless, we believe that section 447, as presently drafted, is not going to solve the problem of student employment.

For a business to pay full wages for a student on a newly created job is hardly, in this economy, an attractive proposition. It is going to prove a frustrating task for institutions to develop these non-work-study unsubsidized off campus positions. Given the State of the economy, I would be at a loss to recite what arguments could be used by institutions to persuade businesses to employ such students. When we first reviewed the bill, we assumed that the problem lay in the 1-percent administrative allowance. Upon more careful examination, however, it is our opinion that even if that figure were 10 percent and enormous effort were put into this kind of job creation, the "mountain would labor and produce a mouse." Our conversations with the business community do not provide us with any comfort as to the success of this program.

The problem is exacerbated if one considers the communities where there are a multiplicity of institutions all of whom without any coordination, would be competing for new jobs in the business community. Were the provsions of this section enacted with only greater payoff for the institutions, we can envision frustrated financial aid officers falling over each other in the waiting rooms of local firms. It is our judgment that not only would businessmen be turned off, but that the institutions would soon realize the futulity of the program, and a good idea would fail not for lack of financing or financial incentive, but for lack of a workable legislative vehicle.

At the same time that the bill attempts to expand internship possibilities in the private sector, we note the dropping of the important but unfunded community service learning program of the act. Certainly there is no sense complicating the legislation by retaining this starved provision. But, we suggest there may well be a way to salvage it via section 447.

Taking these factors into account, we believe there is a way to redraft section 447 to do what you want done, and we recommend the following:

(1) The section should include off campus work-study positions in the public and private not-for-profit sectors. Students would be paid. The service learning program would be saved. Jobs would be created.

(2) The job creation program should not be limited to institutions, but should be expanded to include consortia of institutions and public or not-for-profit agencies under contract by institutions or consortia of institutions.

The best, least cumbersome, most effective job creation will be done cooperatively by agencies specifically geared to the task.

(3) Some additional incentive should be given which would encourage institutions to engage in job development using cooperative and not competitive models. We would encourage a modest set-aside in the bill for such cooperative arrangements. We would be pleased to assist in the development of appropriate language at the subcommittee's pleasure.

(4) Administrative allowance should be changed from 1 percent to 3 percent. This recommendation flows from our experience that it actually costs in excess of 3 percent to do an adequate job of internship development and followup.

We believe that section 447 can be made to work effectively with the inclusion of the above-listed modifications.

We are uneasy about the elimination of means test. Although it is true that the present test tends to bypass students who might profit from inclusion in the program, we believe that as long as there are limited funds available students with the greatest need should not be squeezed out in the competition for dollars and for the best internships. The students now served under the law have too often been faced with structures in society which have systematically eliminated them.

Under this program they have been given a chance to work, to do something for themselves, and have gotten the dignity inherent in such work, as well as the funds necessary to stay in school. Perhaps a less rigid means test would provide the proper middle ground.

Finally, we make a serious appeal to the subcommittee for the inclusion of language which provides incentives to those institutions which develop meaningful off campus internship programs under work-study. It is our opinion that the potential of work-study has never been realized. It can serve a multiplicity of needs without adding an additional cent to the taxload. We deeply regret that in this bill there is no such encouragement.

We are disturbed that under the guise of student assistance program institutions are being subsidized to have their chores done, inevitably replacing regular employees. If a student did not cut the grass with the taxpayer footing 80 percent of his salary, some other citizen would have that job.

We are deeply concerned that faced with the potential for important community service, tens of millions of tax dollars are used for menial campus jobs. The classic leaf-raking image is not amusing. Neither are the door-watching, floor-cleaning, or book bag examining chores. If Congress wants to subsidize institutions, well and good, and we would encourage that, but not by the backhand way of depriving students of significant internship experience, by providing the institutions with a coolie labor force at Government expense.

We agree that there is no meaningful job that does not pay money, but we should like the members of this subcommittee to consider the potential value of these Federal funds beyond that. Let me cite three examples from my own recent experience:

(1) Sheila received a work-study award on her campus. After two or three dull, uninspiring campus jobs, she was allowed to seek off campus employment, and was subsequently assigned by the urban corps to the office of the city manager in a community near her campus. Sheila carried to that task the deep suspicion many young people have about government and for a time she was not sure she wanted to dirty herself in its squalor. To her surprise, she not only obtained a wholly different perspective on government, but realized that public service was a vocation worthy of her deepest consideration. Consider the fruits of this experience compared with the fruits of those work-study funds had she been left to stack dirty dishes in the campus cafeteria. The first criteria for a meaningful internship has been met. She is earning money. But, examine the additional benefits. A cynical young person is now looking seriously at a career in public service. And, at this moment, while still a student, she is already doing an important job in a local government which otherwise could not afford her services. She is a turned-on person. She is also earning college credit for her internship. None of these extra dividends have cost the taxpayer a single penny. Taking this example and generalizing across the country, how many millions of dollars have been saved by this Federal investment?

In 1969, 1973, and 1974, the New York City Urban Corps conducted studies, copies of which have already been made available to this subcommittee, which indicate a substantial positive change in attitudes by young people who have been involved in city government work-study internships.

(2) Davis was an accounting major. He got along well in the classroom but was unchallenged. Eventually he was assigned to an off campus internship with a new social agency and was given the responsibility for setting up the books in that agency. Not only did he perform an important service to society, but he learned far more about accounting than he would have in any classroom. The public was served, the academic enterprise was served, and he was served. Since completion of that internship, he has gone to work in the auditing section of the city government.

(3) Bill was raised in the ghetto. He got into a community college via the open admission route. Being ill-prepared he was disinterested in school until he got assigned off campus to a State agency which deals with troubled younger children. He became deeply committed to these little brothers and sisters, and realized that not only did he have to apply himself to his job, but to his books as well.

Thus, his prevocational and his academic plans came into focus. He learned what school was all about. He got turned on to social service. He got a new sense of selfrespect, being the first member of his family in three generations to get off the relief rolls. He earned money for himself. I don't think he would have lasted a month in school had he been stuck guarding a door on campus.

I will not belabor the point, even though from coast to coast we could recite such case histories. These are not flukes. They are the potentials of the work-study programs and all are cost free to the taxpayer beyond the work-study authorization.

We are not suggesting that schools, which because of their isolated geographic locations cannot meet off-campus quotas, be punished. Neither are we suggesting that some penalty be assessed against those who, for institutional reasons, do not develop aggressive off-campus programs. We are suggesting that strong encouragement, visible in dollars, be given to those institutions who make the most of the potential. Perhaps that can be done through the revisions we have suggested in section 477, or through preferential consideration for deobligated funds, or for a 5 percent instead of a 3 percent administrative allowance for off-campus internship.

We are convinced that it should be done and can be done and that the subcommittee should find the appropriate legislative vehicles.

There are reasons beyond the appeal to the work ethic why work study is and should be a popular program. We trust that Congress will provide the legislative mechanism to see to it that the benefits to the student, to the educational enterprise, to the community, and to society at large are realized.

Mr. Chairman and members of the subcommittee, let me express my appreciation for this opportunity to testify. We will be happy to respond to any questions you might have.

Mrs. Chisholm. Thank you, Mr. Bayer. There is one basic question I would like to ask in view of your recommendations on page

4 of the testimony, supplemented by the fact that the country is going through fantastic economic difficulties and of course, in certain communities, where the pinch is felt a little bit more because of a variety of reasons and factors.

Could you foresee or anticipate that a broadening of the work-study programs in bringing in different institutions and different groups could actually run into a kind of competitive situation in communities where jobs are at a minimum or, for that matter, where there is a dearth of availability and accessibility of any kind of job for the persons who live in those communities.

I can possibly anticipate difficulties with respect to the number of positions and the kinds of jobs that might be available in the community on the very bottom of the economic rung. Could you make suggestions as to how we could write something into the legislation that might prohibit that kind of competition, that kind of divisiveness which I could anticipate in a broadened work-study program.

Mr. **Bayer**. Our opinion that that is a problem only if you are talking about the private section. I don't think it is a problem if you are talking about the public sector where this program has worked effectively for many, many years, and I could cite the New York Corps as an experience where many thousands of young people have been involved in city government without adversely affecting the regular employment posture of that municipality. Certainly, in the not-for-profit sector. All of the jobs created are jobs which these agencies would not be filling with other persons.

Now, when you move over into the private sector, I think there is where the problem arises and that is another reason why we have to raise some questions about section 447. I do not see this to be in competition with the public or the not-for-profit parts of the economy.

Mrs. **Chisholm**. Thank you. Mr. Eshleman.

Mr. **Eshleman**. Thank you, Madam Chairman?

Mr. Bayer, the ones that you have had experience with, the Urban Corps work-study trainees, do they average a minimum wage or better? What is their average?

Mr. **Bayer**. We made a survey about a year ago of Chicago Urban Corps internship placements and under the Federal regulations, wages are set by the capacity of the student and by what that job might be worth if somebody else were doing it. Our average rate was $2.91. Now, I do believe it has gone down a little as the competition for the funds become greater.

We have never in our organization accepted anyone at less than $2.20. That is a policy that we have. We would encourage the institutions to go at least to $2.20. We have been able to do that because we can yes or no to whom we can take.

We have had good cooperation from the institutions about that. If a student is going off campus, it seems to me there ought to be some modest increment for transportation costs and other costs. Most campuses feel the same way.

Mr. **Eshleman**. Is your Chicago work-study, is that 100 percent in the public sector?

Mr. **Bayer.** And, the private not-for-profit sector.

Mr. **Eshleman.** Then you have had no experience with going into the private sector?

Mr. **Bayer.** We have made a couple of forays at the private sector, but we have found, for the reasons I cited, that this is very, very difficult and I just have real qualms about the effectiveness of Sec. 447, given that experience.

Mr. **Eshleman.** I am not trying to put words in your mouth, but would you say that where you did have success that it created jobs that would maybe be as menial as the ones that are created on the campus.

What I wonder is, why are private sector jobs written off as unsuccessful. I can't understand that.

Mr. **Bayer.** Without the name of the company, I approached a concern about a year ago regarding a program where we would actually go into the company and provide resources so that preprofessional students could work in that company. These had to be students with economic need although not under work study, since it was in the private sector.

I spent approximately 6 months with this company. They had had prior experience with a high school program. They had had some college students before. When they took a look at the cost involved, that is, 100 percent of the salaries, their decision was that they could do better on the open market. The college students were short term. They were here today and gone tomorrow.

Many college students had a difficult time being available during vacation periods. Class schedules conflicted. There were just a number of reasons why this particular business felt that it was not economically to their advantage, which is really the only argument you can make to a private company to pursue an internship program, so they did not.

I think that that experience could be broadcast without finding much difference.

Mr. **Eshleman.** Do you think this legislation should somehow encourage work-study in the private sector, or should we limit it only to the public sector?

Mr. **Bayer.** Our position on 447 is not to delete what you have from that section but to expand it so that there may well be some positions that may be developed in the private sector. But, I have a feeling that under the expansion we have suggested there would only be a very modest number of positions, but those positions would still be available.

Mr. **Eshleman.** Thank you.

Mr. **O'Hara.** Mr. Simon.

Mr. **Simon.** I have just been reading 447 and trying to follow your testimony. The bill effectively limits the job—I am quoting from you, now—the job creation program to the private sector. What makes you say that?

Mr. **Bayer.** Well, if there are work-study students available for the public in the not-for-profit sector and those students are available at 20, or 30 or 40—in our case it is 30 percent—of the effective hourly rate, it is going to be very difficult if not impossible for these agencies and governmental groups to want to take students at 100 percent. A, the funding is probably not available, and they would be in direct competition with the work-study students at the 20- and 30-percent figure.

If I come to you with two offers, one is for you to take the student and you pay 100 percent of his salary, A, you may not have the money to do it, and B, if you understand that there are students available at 20 or 30 percent, it is pretty clear which one you are going to take. Even at 20 or 30 percent, we are finding a financial crunch in both the not-for-profit and the public sectors to be of such a nature that it is not easy to develop large numbers of internships, although it is possible if you work at it, at 100 percent.

I just have little faith that there will be many jobs developed in the public and the not-for-profit communities.

Mr. SIMON. Let me toss a question to the Chairman, now. Is section 447 designed, basically, just as financial assistance to the student, rather than as work-study? Is that correct?

Mr. O'HARA. If I could respond to the gentleman from Illinois, the work-study program is, in my bill, is left as it is and then in addition a new program is created. You see, work-study right now can be used to pay the major portion of the salary of the student who is employed on campus, or a student who is employed off campus in a public agency or a private, non-profit agency, and, indeed, the business of these gentlemen who are appearing before us is to locate and develop such jobs in public agencies and private, non-profit agencies, off campus. So, I don't touch that. I leave that just as it is under the present law. And, then in section 447, I say, in addition to all of the things that are now possible under the present law, it will be possible if a university wishes to do so to go out and work in the community among private employers to try to restructure jobs in a way that they can be filled by students who wish to work part time and I provide a certain allowance to the university to pay the costs of running this sort of a job placement service in the private economy.

But these gentlemen are suggesting that I also make payment—first off, I increase that payment and then that I extend it to the kind of work they do, which is in placing people in public jobs and in private, non-profit. Isn't that correct?

Mr. BAYER. Under work-study, we fail to see why this wouldn't be a very workable position if you included work-study.

Mr. O'HARA. That is what it amounts to. To extend the provisions, to increase the payment—the Federal subsidy of these job placement efforts and to extend it to the kind of work-study jobs that they are now engaged in trying to treat in the Urban Corps.

Mr. BAYER. We don't see why you have limited this section to non-work-study jobs. We don't understand the reason for doing that.

Mr. O'HARA. If we are getting work-study jobs created now, and right now we have panel approved requests for more than double the total of authorization, we didn't see any need to pay people for doing what was already being done quite adequately in terms of our possible future financing, but we did see a need to pay them to go out and do something else which is to create 100-percent privately funded jobs somewhere.

Mr. Simon. So, that I can get this down in practical terms—DePaul University in Chicago has students who need jobs. And, what you are talking about here are jobs that may not be related in any way to their course of study. The president of DePaul University calls, or whoever the person is, calls Carson-Pirie Scott, or Sears and says—"We would like to have 20 students"—and what this does is—you subsidize the university to create those 20 jobs. I understand why you would like some financial incentive for your program but I don't quite understand why you think this is a bad thing?

Mr. Bayer. I think it is an unworkable thing.

Mr. Simon. You think that Sears and Carson-Pirie Scott won't give the jobs. Is that it?

Mr. Bayer. I think that is going to be very difficult. Not only that, but these jobs are going to be in direct competition with the labor market. There is no way around it.

I am at a loss to know why your union people didn't raise that as an issue. These are jobs in competition.

Mr. O'Hara. They did raise the issue. You see, I am not assuming that we are going to continue with 8-percent unemployment forever. I don't share the gloomy forecast of the Administration economist who considers 4 percent—or 5 percent now they consider to be—no unemployment. I don't believe that is the case. Obviously, you are not going to be able to create a lot of student jobs at a time when you have over 8-percent unemployment in the country. But, this is a 5-year bill.

I am not going to write a bill that ignores what is in normal times a useful tool because I happen to be writing it at a time of economic recession.

Mr. Simon. If I could make one other comment. The one thing that does not bother me so much, that you mentioned, is that the student does not have meaningful employment. When I was in college I was looking for anything to get a little income. Now, ideally, I think it would have been great if I could have had something that was in line with what I am studying, but I don't see—if the person is majoring in English literature and has a job as a door man that you referred to—I think there are plenty of them that would love to have a job as a doorman.

Mr. O'Hara. Last year at the hearings, I am sorry you weren't here—I had the occasion to offer a definition of meaningful student employment.

Mr. Simon. What was that definition?

Mr. O'Hara. That was employment that paid a decent wage.

Mr. Bayer. We have no objection to that. We just feel that under a Federal program—it is a larger bank for the Federal dollar—for a student to earn money and to do something which is meaningful to the student and which contributes to society, which is part of his academic program. All of those benefits are for nothing beyond the work-study authorization.

All that is inherent in work-study and our position is that the potential for work-study has never been realized.

You can do far more with it than has been done, and we think we have suggested the vehicle by which that can be done without hitting the taxpayer for another buck.

Mr. Simon. I have no further questions.

Mr. O'Hara. Thank you, very much, gentlemen for your appearance here before us today, and for the good work that you have been doing and for your evident enthusiasm for that work. I hope that we will be able to create more work-study jobs at the institutions and in public and private non-profit employment, which I think is a fruitful field that has not been fully tapped, and in private employment, when the Congress through its wisdom and vigorous action is able to turn the economy around.

Mr. Bayer. Thank you.

[The material referred to follows:]

THE FUTURE OF THE COLLEGE WORK-STUDY PROGRAM AND PUBLIC AND COMMUNITY SERVICE

CONGRESSIONAL ACTIVITIES

Expiration of Old Law

The current Federal legislation which authorizes all post-secondary education programs, including almost $2 billion in student financial assistance in the form of grants, loans, work-study, which are run by the U.S. Office of Education will expire on June 30, 1975. (This does not include G. I. Bill education benefits and Social Security benefits which are authorized under different legislation and are administered by different agencies.) If work is not completed by next June then the law provides for the automatic extension of the old law for 1 year. Therefore, there is an effective deadline of June 30, 1976 to revise the Education Amendments of 1972.

Summary of the Law

Title IV of the Education Amendment of 1972 is the under-graduate Student Assistance Section and includes the following programs: Basic Opportunity Grants, Supplemental Opportunity Grants, College Work-Study, National Direct Student Loans (3 percent interest), Guaranteed Student Loans (7 percent interest bank notes or state agency loans), Trio Programs of Upward Bound, Talent Search and Special Services, Grants to States for Incentives for State Scholarship Programs, Cooperative Education Progams, and Veterans cost-of-instruction programs. Other Titles of the Education Amendments which will be up for review include sections authorizing fellowships for graduate students, for teacher education, and for general assistance to institutions of post-secondary education.

Hearings

In gearing up for the "reauthorization process' the House Special Subcommittee on Education in the period of May and June, 1974 held 19 days of hearings on Student Assistance in the following order: College work-study and cooperative education programs (6 days of hearings); Student Loan Programs (4 days); Graduate Fellowship (1 day); State Scholarship Program Incentives and relation between federal and state governments (2 days); Grant Programs (3 days); and Veterans cost-of-instruction payments and institutional aid (3 days).

Seminars

After these open hearings, the Special Subcommittee held a series of Seminars in July for representatives from postsecondary education associations (representing public, private, 2 year, 4 year, and graduate schools, and profit-making trade and technical schools), state organizations (representing governors/legislators, and state scholarship and loan programs), financial aid officers and students.

Legislation

The Special Subcommittee on Education of the House is planning to present a draft of its legislation which resulted from these hearings and meetings, sometime in the near future. The Senate Subcommittee on Education of the Senate Committee on Labor and public Welfare has already initiated hearings on the student financial aid legislation and will continue them in the 94th Congress

The Current Use of College Work-Study Money—An Emphasis on Employment on Campus

Most CWS on Campus

The dominance of on campus employment of College Work-Study students was revealed in a survey commissioned by the Office of Education. During academic year 1970–71, the Bureau of Applied Social Research of Columbia University questioned institutions and students who use College Work-Study funds. While the education amendments of 1972 made minor changes in the law, the data collected provide a good approximation of the character of the program as it exists today. The survey found that:

1. Only 11.1% of Work-Study jobs are off-campus, 71.1% of students working off campus had high job satisfaction.
2. One-third of the institutions who have Work-Study funds have no off-campus jobs.
3. Almost 40% of public and private two-year institutions have no-off campus work programs.
4. 37% of private four-year institutions have no off-campus work program.
5. Only 25% of on-campus jobs relate to student's majors; 50% of off-campus jobs related to the student's major.
6. Only 15% of students receiving Work-Study funds work as community, research, government or teaching aides.
7. 63% of the College Work-Study students are employed in clerical jobs in positions as security, maintenance, food service or hospitality aides.

Institutions benefit from off Campus CWS

It was evident from the BASR report that institutions benefitted from using their Work-Study funds off-campus.

1. 74% of these institutions said that the off-campus use of Work-Study was successful.
2. 52% of such institutions felt this use of money in the community improved the school's image.
3. 26% of these schools felt that faculty research was increased.

Community's Interest in Off-Campus CWS

The study also revealed that the community is a beneficiary of such expanded use of Work-Study funds. Students can bolster the staff of community and public service organizations which might otherwise not be able to afford more employees. Further, the BASR researchers, who also surveyed people in community agencies, found that by having Work-Study students on their staff, many of the organizations had been able to expand their services to the community. These employers also reported that the students who had career or major related jobs were able to develop useful skills.

The Growing National Interest in the Increased Use of CWS for Public and Community Service

Planning Meetings

As the public and community service internship and field experience programs have grown across the nation, informal conversations have taken place between representatives of the Urban Corps, State Internship Programs and other interested parties. At the recent annual Society for Field Experience Education Conference in Atlanta, the role of college Work-Study Programs with regard to public and community service was a frequent topic of conversation. Other national organizations and individuals have been interested. On October 21, 1974, a meeting was held in Washington, D.C., to discuss alternative directions for the CWS Program. The following organizations were represented:

(1) The National Association of Student Financial Aid Administrators.
(2) The National Student Lobby.
(3) The National Student Educational Fund.
(4) The Project for Service-Learning of the American Association of Community and Junior Colleges.
(5) The National Center for Public Service Internship Programs.

Another meeting was held in the National Center for Higher Education of Washington on October 23, 1974, which included representatives from the earlier meeting, and the American Association for Higher Education, the Urban Corps and Action.

Conference Scheduled

The increased interest evidenced by these meetings led to plans for the December 6 conference on the Future of College Work-Study and Public and Community Service to be co-sponsored by the National Center for Public Service Internship Programs and the Project for Service-Learning of the American Association of Community and Junior Colleges. This conference is intended to be a working conference, where representatives from groups associated with experiential education and financial aid programs will meet to discuss problems and possibilities associated with the increased use of College Work-Study funds for off-campus public and community service employment.

The Rapid Expansion of Public and Community Service Internship and Field Experience Programs in Higher Education

The following developments reflect the rapid expansion of public and community service internship and field experience and the various forms in which students are becoming involved:

Regional, State, and Locally Sponsored Programs

All levels of government have exhibited their commitment to involving students in public and community service internships through the increasing levels of financial support provided for such programs. Currently, regional internship programs exist in the northeast, midwest, west and the south. For example, the Southern Regional Education Board administers the Student Intern Project providing assistance to states in establishing intern programs. State level intern programs include: the North Carolina Internship Office. "The Virginia Program," the Georgia Intern Program, the South Carolina Intern Program, the Governor's Public Service Intern Program in Texas. The nine other southern states are presently exploring the development of such statewide programs. Numerous other government programs exist at the local and community level, such as the Atlanta Urban Corps and the Hampton Urban Corps.

University-Wide Internship Offices

Numerous academic institutions have established clearinghouse and placement offices designed specifically to assist students in locating internship and field experiences. Example include the Office of Community Programs at the University of Pennsylvania, the Community Internship Program at Syracuse University and the Office for Experiential Education at the University of Kentucky.

Cooperative Education Programs

Cooperative education programs are designed to allow students to alternate terms of study with equal periods of time on a co-op job. The students work is to be related to his field of study and the work experience is to increase in difficulty and responsibility as the student progresses through the academic curriculum. Cooperative education arrangements are most frequently utilized in business and industry. However, there is increasing interest in placements in the public sector for liberal arts students.

Academic Field Work, Practicum and Internships

There are many academic courses, with more added each semester, which include the integration of theory and practice as part of the course requirements. The settings for these field experiences are most frequently through public and community service organizations. They may be part-time or full time and may involve varying amounts of academic credit. At an increasing number of institutions, students may complete as much as one fourth of their degree requirements in a field experience setting.

College Volunteer Programs

Many students become involved in service-oriented projects in their local communities. These programs are usually less formal and may or may not involve academic credit, but usually do not provide financial remuneration. Students undertake short term projects such as helping disaster victims and organizing blood donors, and longer commitments with local community service organizations. For example, ACTION's National Student Volunteer Program provides indirect services to 2,000 independent volunteer programs involving over 400,000 college and university students.

EXEMPLARY PROGRAMS CURRENTLY UTILIZING OFF-CAMPUS COLLEGE WORK-STUDY FUNDS

Statewide Programs

Pennsylvania, Massachusetts, Virginia, and North Carolina are four states actively involved in operating statewide public and community service internship programs utilizing College Work-Study funds off campus. The PACE (Plan Assisting College Education) Program in North Carolina is representative of the extent to which a coordinated state-wide model can be designed to involve students participating in college Work-Study in community agencies throughout a state, in both rural and urban areas. Approximately 1600 students were placed in the summer of 1974, some of which were in state government, with most in local public or private non-profit agencies or organizations in the students' home communities.

Pace has Broad Impact

Operated in conjunction with about 90 participating colleges, PACE is a cooperative venture involving high school guidance counselors, financial aid officers and state and local agencies or non-profit organizations. Students have worked in social service departments, health agencies, libraries, recreation programs, agricultural departments, the YMCA and Boy Scouts doing clerical work, maintenance, library or lab assistance, counseling, or as student instructors. Since the inception of the PACE program statewide in 1966, over 15,000 students have secured employment using College Work-Study funds.

Local Programs: The "Urban Corps" Approach

A unique combination of college students, institutions of higher education and a consortium of administrative and monetary resources has been assembled into more than 37 Urban Corps programs involving over 10,000 students at work across the nation, Initiated in New York City in 1966, the concept has spread to large, intermediate, and small cities—from Boulder, Colorado, to Bowie, Maryland. Each Urban Corps is developed and administered locally, based upon specific needs and priorities of the particular community.

Urban Corps Operations

By contracting with colleges participating in the off-campus college Work-Study Program, an Urban Corps can obtain a number of interns, paying the matching employer's salary share (normally 20%) from a budget provided for that purpose or from the budgets of the employing agencies. Working during vacation periods or part-time during the school year, students perform every variety of activity from legal research and fiscal planning to teaching adolescent prisoners, manning air pollution monitoring teams, and working in a city manager's office. Assignments are tailored to the students own interests, academic major, and qualifications. In addition, most Urban Corps programs offer more formal education components in the form of seminars on urban issues, interagency dialogue among Urban Corps students, or even credit courses.

University-Based Programs

Increasingly local college administrators are interrelating the variety of student internship programs with the financial resources of the College Work-Study Program. Field experience and cooperative education programs have on some campuses begun to utilize College Work-Study funds off-campus where both the student is financially eligible and the employing organization is able to provide the matching salary share.

University Year for Action

The University Year for Action Programs, now operating at 55 colleges and universities, are one example of a successful utilization of College Work-Study funds for public and community service. The ACTION Program enables college students to earn credit toward their degree while working full-time as volunteers in poor communities. The objectives of the program are: to make university resources available to poor communities; to teach students through working on real problems; and to help the poor in urban and rural disadvantaged communities move toward solving their problems.

Use of Work-Study by an Action Agency

Part of the financial resources committed by the participating university may be derived from Work-Study funds. In 1973–74, several UYA programs were utilizing College Work-Study monies. For example, the UYA program at Central State University in Ohio uses nearly $40,000 of College Work-Study funds to support almost 80% of their interns.

QUESTIONS OF POLICY CONCERNING THE FUTURE OF THE COLLEGE WORK-STUDY PROGRAM

Role of Off-Campus Employment

(1) Should off-campus programs be mandatory?

(2) Should a percentage of CWS funds be earmarked for off-campus work?

(3) Should all of any possible increase in CWS appropriations be tied to off-campus work?

(4) How can off-campus work be made more attractive to students?

(5) What is the relationship between CWS and Co-operative Education?

(6) How can rural universities establish off-campus programs?

Placement

(1) How can off-campus placement of work-study students be improved?

(2) What sorts of provisions are necessary for monitoring off-campus job assignments?

(3) What are reasonable standards of evaluation for such work?

(4) Could work-study students themselves develop off-campus positions?

(5) Is the Vet-Rep program a reasonable model for development of off-campus positions?

(6) Should the administrative percentage be increased from 3% to 4% to cover the costs of off-campus placement work?

(7) Should CETA type consortia be set up as clearing houses for off-campus employment?

(8) Should evaluation of needs be separate from placement of recipients?

Eligibility

(1) Should the eligibility level for CWS recipients be increased?

(2) Has the inclusion of part-time students strengthened the program?

(3) Should CWS be reserved for entering students, or those students who have developed stable career plans?

(4) What sorts of wages should be paid CWS students—below minimum wage; minimum wage; sliding scale?

(5) What sorts of criteria should there be for setting wage rate—skill level, comparable work, increased expense in terms of transportation off-campus, financial need of student?

Public or Profit Agencies

(1) Is there a role for CWS in for profit institutions?

(2) What kinds of issues bear on changing the governmental contribution formula?

(3) Would allowing CWS students to work in the for-profit sector impair the Coop Ed program?

Nature of Off-Campus Employment

(1) Should off-campus employment be only career related? Major related?

(2) How could CWS off-campus tie into continuing education or post secondary vocational education?

(3) What relationship might off-campus programs structure between CWS, CETA and other public service or employment programs?

Off-Campus CWS As a Learning Experience

(1) Should academic credit be given for such work experience?
(2) Who should determine the amount of credit given?
(3) What sorts of criteria should there be for such credit?
(4) Should the accreditation process be centralized, or left to individual negotiation?

Conclusion

These are only some of the questions that might be asked about the future of the College Work-Study Program as it relates to public and community service. The conference is intended to be a *working* conference, where the participants will develop a consensus around the answers to these and others that the conferees consider germane.

SUMMARY OF CONFERENCE ON THE FUTURE OF COLLEGE WORK-STUDY PROGRAM

TABLE I.—AUTHORIZATION, APPROPRIATION, AND OBLIGATION LEVELS OF CW-S, BY YEAR

[In thousands]

	Fiscal year—								
	1965 [1]	1966 [1]	1967 [1]	1968 [1]	1969 [1]	1970 [1]	1971 [2]	1972	1973
Authorization	([3])	$129,000	$165,000	$200,000	$225,000	$275,000	$320,000	$350,000	$360,000
Appropriation	$55,710	99,123	134,100	139,900	139,900	152,460	158,400	426,600	270,200
Funds available	54,865	127,093	139,605	148,685	169,525	176,722	326,771	272,175	270,200
Reprogrammed funds	(0)	(27,127)	(5,506)	(15,935)	(26,091)	(30,183)	(11,971)	(0)	(0)
Obligations from current appropriations [4]	(54,865)	(99,966)	(134,099)	(133,750)	(143,434)	(146,539)	(312,682)	(272,175)	(270,200)

[1] The fiscal year appropriation is used to fund program operations during the respective calendar year.

[2] The college work-study program grant period was converted to a fiscal year which will be 1 year forward funded. The transitional grant period covers 18 months from Jan. 1, 1971 through June 30, 1972. Funds available from fiscal year 1971 and fiscal year 1972 appropriations for use during this 18 month grant period totalled $314.8 million (fiscal year 1971 appropriation of $158.4 million plus $156.4 million from total fiscal year 1972 appropriation of $426.6 million). Actual obligations for use during 18 month grant period were $312.7 million ($157.7 million from fiscal year 1971 appropriation plus $155 million from fiscal year 1972 appropriation). Funds available in fiscal year 1972 column ($272.2 million) represent remainder of fiscal year 1972 appropriation available for use during fiscal year 1973.

[3] The Economic Opportunity Act of 1964 authorized a lump sum of $412,500,000 for 3 youth programs including college work-study.

[4] Funds not obligated at the end of the fiscal year are available for obligation during the next fiscal year. Fiscal year 1969 obligations also include $5,600,000 not obligated during fiscal year 1968 due to 1968 cost reduction program.

Source: From "Factbook" (Bureau of Higher Education: Summary of Program Information through fiscal year 1973), January 1974, p. 15.

COOPERATIVE ADMINISTRATIVE WORKLOAD FOR COLLEGE WORK-STUDY PROGRAMS

[In percent]

Assessment of workload [2]	All institutions [1]	Public institutions	Private institutions	2-year colleges	4-year colleges	Universities
College work-study:						
Light	4	3	5	4	4	*2
Moderate	45	42	47	46	43	39
Heavy	51	55	48	50	53	59
Total percentage	100	100	100	100	100	100
Response rate	76	77	75	68	77	78

[1] Independent medical schools are included in the column for all institutions, but are not included in other columns.

[2] Confidence limits have been computed for all figures. Except where specified with an asterisk (*), 95 percent confidence limits ranged no more than plus or 2 percent of the figures. Confidence limits ranging above 2 percent are presented in app. C.

From Elaine H. El-Kharvas and Joan L. Kinzer, Source: Impact of OE Student Assistance Programs, Fall 1973, Higher Education Panel Reports No. 18, American Committee on Education, Washington, D.C. (1974), Table II.

Percentage of students assisted by college work-study in fall 1973, by type of institution

	CWS recipients
Level of educational instruction:	
2-year colleges	21
4-year colleges	58
Universities	21
Total	100
(N)	563, 900
Form of control:	
Public	67
Private	33
Total	100
(N)	563, 800

ESTIMATED NUMBER OF PARTICIPANTS IN COLLEGE WORK-STUDY PROGRAMS[1]

	All institutions[2]	Public institutions	Private institutions	2-year colleges	4-year colleges	Universities
Estimated total number of participants, 1972–73	[3] 602, 700	358, 200	203, 300	118, 700	361, 200	121, 600
Response rate (percent)	74	77	74	68	76	76
Estimated total number of participants, 1973–74	565, 100	376, 300	187, 500	117, 100	325, 100	121, 700
Response rate (percent)	75	76	75	67	77	76
Estimated number receiving assistance under another Federal program, 1973–74	434, 500	274, 600	159, 200	86, 000	252, 300	95, 500
Response rate (percent)	69	70	68	61	71	70
Participants by level of instruction, 1973–74:						
Freshmen/sophomore	56	60	51	100	47	42
Junior/senior	38	34	44	0	48	47
Postbaccalaureate	6	6	*5	0	5	11
Total percentage	100	100	100	100	100	100
Response rate	65	64	69	64	69	63
Participants by adjusted family income, 1973–74:						
$0 to $7,499	66	70	58	74	65	63
$7,500 to $14,999	30	27	36	24	31	33
$15,000 and over	4	3	6	*2	4	4
Total percentage	100	100	100	100	100	100
Response rate (percent)	65	66	65	63	67	62
Average amount of grant 1973–74	$582	$560	$601	$531	$601	$708
Response rate (percent)	70	72	70	62	73	72

---

[1] Estimated numbers of participants are rounded to the nearest 100.

[2] Independent medical schools are included in the column for all institutions, but are not included in other columns.

[3] Confidence limits have been computed for all figures. Except where specified with an asterisk (*), 95 percent confidence limits ranged no more than plus 2 percent of the figures. Confidence limits ranging above 2 percent are presented in app. C.

SUMMARY OF CONFERENCE ON THE FUTURE OF COLLEGE WORK-STUDY AND PUBLIC AND COMMUNITY SERVICE

INTRODUCTION

Michael Goldstein, chairman of the board of the National Center for Public Service Internship Programs, keynoted the meeting with a description of the nature and objectives of the conference. He noted that the conference was one of the first times people had met at the national level to discuss what types of action should be taken concerning the expansion of off-campus learning experiences in the public service field. The major problems of the present Work-Study program, according to Goldstein are

(1) underfunding of the program;

(2) the existing deterrents to using work-study funds off-campus; and

(3) the wide disagreement that exists concerning the definition of "relevant work."

PANEL DISCUSSION

Following Goldstein's opening ermarks, four presentations were made by staff members of organizations which are involved in off-campus work opportunities for college students.

Tom Little of "The Virginia Program," a statewide internship program, described the advantages of creating a central office for the operation of such a consortia. Not only does this program save money, but the moderate level of centralization creates efficiency and offers a wider range of job opportunities for the student involved. In addition, the hiring agencies are able to go to a single place to fill their needs. Little reported that the program was so successful that, for every two jobs filled with work-study funds, agencies were willing to fund another position without the government subsidy of the College Work-Study program.

Pamela Gwynn, director of the New York City Urban Corps, discussed her organization's approach. The New York Urban Corps, the first of over 30 in operation across the country, places over 5,000 students in part-time metropolitan governmental positions. Again the advantage of more efficient operation was cited as a reason for the creation of a single office for many agencies and schools. The coordination encouraged the schools to be more hospitable to the idea of granting academic credit for work outside the classroom. She reported that the participating students think it is a good program, both in terms of the money and the experience, and said her chief problem was finding more money with which to fund positions. Currently the NYC Urban Corps has three possible job placements for every funded position.

Ruth W. Burgen, director of the University Year for ACTION Program at the University of Massachusetts reported that the UYA program operates under different financing arrangments than either "The Virginia Plan" or the Urban Corps. Most UYA interns are supported by stipends from an ACTION grant which also provides administrative support. Some UYA programs make partial use of work-study funds, but on the whole, the UYA model is seen as an example of a well-funded and administered off-campus learning/working job development and placement program. Students are carefully chosen and placed in positions where their work has strong relevance to their declared major and career objectives.

Finally, Sarah Lei Farner of the National Center for Voluntary Action (NCVA) told the assembled group about the interests that major national private nonprofit organizations had in the use of students from the college work-study program. NCVA is an umbrella group which coordinates information about 150 private member organizations and trains volunteer coordinators to use the talents of volunteers more fruitfully. These groups include the YMCA, the Red Cross, and the United Way. While admitting that much volunteer work seemed to have no meaning outside of itself, she argued that this was one of the best reasons for encouraging job developers in finding stimulating jobs for the volunteers. She also saw academic credit as one means of insuring that the work of student volunteers and interns had some relevance to their lives, as well as making the agencies examine the work of the position offered. Finally, she saw the use of Work-Study money as a way of upgrading both the quality of the job and the worker, by putting a dollar value on the work being done.

REACTION TO PANELISTS

Richard Tombaugh, exeutive secretary of the National Association of Student Financial Aid Administrators, discussed the financial aid officer's role in the awarding of work-study grants, and some of the problems raised by the off-campus employment of CWS students. He pointed out that, while the amount of funds for CWS has remained constant, the number of institutions participating has grown, decreasing the average number of grants. Further, the financial aid officers have neither the time nor the training to serve as job developers for off-campus positions. In addition, there exists the huge task of matching the skills of work-study recipients, to the jobs available. He mentioned some of the technical details that made off-campus use of CWS problematic for financial aid administrators, items such as: a differential percentage paid by the hiring institution, higher transportation costs, differential salary scales, monitoring and evaluation of actual work done and efficient and educationally relevant placement. Tombaugh felt that, while the educational enrichment objectives of using CWS off-campus were certainly positive the operational difficulties seemed to effectively counterbalance them.

Layton Olson, director of Project Information Gap of the National Student Educational Fund, pointed out that the Congress was interested in re-examining the whole financial aid package because many felt that the heavy reliance on loans had gotten out of hand. Far too many students, according to some observers, have defaulted on their loans. Furthermore, there is strong support in the Congress and the country for the self-help ethic of a program such as work-study. In addition, youth unemployment is being seen as a major problem, especially as the recession deepens. The varieties of student work programs are seen as federally funded incentives for training workers, not just educating people. To many informed sources, co-op education is viewed a most successful program because Congress spent approximately $1 million and generated student salaries of $120 million. Such a multiplier impresses congressmen with the utility of the program. Olson felt that a similar multiplier might be built into work-study, though probably without the dramatic results. Both Olson and Tombaugh stressed that the deepening recession was wreaking havoc with the traditional means of student support, both in terms of the school's ability to offset the increased educational costs of the students, and the availability of jobs either on or off campus.

PLENARY SESSION AND LUNCHEON GROUPS

General comments were invited from the floor, and the four luncheon groups were assigned issues with which to work over lunch. There were:

(1) the educational need for off-campus programs; it's relationship to financial aid programs;

(2) incentives to institutions to provide off-campus programs; funding level questions;

(3) the location of the administration of the program; the role and function of the program staff;

(4) the development of the work experience, both philosophically and in terms of placements.

The entire conference then met and discussed the recommendations of the group. Agreement was reached on the following points:

(1) College work-study is primarily a financial aid program, with great potential for learning and service benefit.

(2) The learning and service benefits of CWS might easily be expanded.

(3) The legislation now being prepared dealing with federal aid to higher education should include incentives which would make off-campus job placement more attractive to the institutions.

(4) Such incentives should take the operational form of off-campus job development and placement officers.

(5) To best accomplish this, both the authorization level and the appropriations level of the college work-study program should be increased.

Mr. O'Hara. Our final witness this morning is Mr. Tidwell who is legislative representative for the Consumer Bankers Association.

Mr. Tidwell, please take your place at the witness table.

Mr. Tidwell. I would like to defer to Mr. James L. Smith, who heads up our task force on student loans to present our testimony today, if that would be all right with the chairman.

Mr. O'Hara. Perfectly agreeable.

STATEMENT OF JAMES L. SMITH, SENIOR VICE PRESIDENT, SECURITY PACIFIC NATIONAL BANK OF LOS ANGELES, ACCOMPANIED BY E. S. AMAZEEN, JR., VICE PRESIDENT, THE FIRST NATIONAL BANK OF BOSTON; AND DREW V. TIDWELL, LEGISLATIVE REPRESENTATIVE FOR THE CONSUMER BANKERS' ASSOCIATION

Mr. Smith. Mr. Chairman and members of the committee, I am James L. Smith, senior vice president of the Security Pacific National Bank of Los Angeles. I am appearing here on behalf of the Consumer Bankers Association with Mr. E. S. Amazeen, First National Bank of Boston and chairman of the Consumer Bankers Association Legislative Committee, and Mr. Drew V. Tidwell, legislative representative for the association.

The association represents member banks who hold an approximately 75 percent of the federally insured student loans outstanding in commercial banks. Since the inception of the program there have been numerous crises which have precipitated changes in the law and regulations.

During the past year, members of the association have become concerned with the steadily increasing default rate in this program and the burden this has placed upon our banks. In an effort to better identify the problems and perhaps suggest longer term solutions, our association has recently sent to all of its members a questionnaire requesting their views on the various proposed reforms as well as attempting to learn from them some priority of approach to the most significant problems. For the information of the committee, we have attached a copy of this questionnaire. When the results have been compiled, we will make them available, also.

We would like to present at this time our preliminary recommendations as to how the program could be improved. Our first recommendation is to encourage the use of the comprehensive insurance certificate.

Our second recommendation is that the method of calculating and processing the interest subsidy be revised.

Our third recommendation is that the lender be granted more latitude in giving forebearance in the case of unavoidable repayment difficulties.

Our fourth, that the authority given to regional offices for the supervision of all student loan activities be reinforced.

Our fifth recommendation is to phase out all educational institutions as approved lenders.

We would now like to discuss these recommendations in detail. The concept of the comprehensive insurance certificate has been widely recommended but never adopted. Under the system, the Office of Education would issue the certificate to an eligible lender and then the lender could extend the loan without the specific approval of the Federal agency in each case. After the loan was extended the Office of Education could audit all the loans in order to assure that they are qualified.

The single most frequent complaint among lenders is the complex operational procedure required by the present law and regulations. Many banks have, in fact, set up separate special units to process these loans since they are so complex and unique when compared to any other type of consumer lending. Essentially, the student loan program is a paper-processing service, and we believe that if certain reforms were instituted this paper work burden would be reduced without any detrimental effect. Since the processing of new loans is routine and approvals are automatic, much time would be saved. A quicker response to the student, the educational institution and the lender would benefit all.

Our second recommendation is relative to interest rates and subsidies.

In some of the recent amendments to the student loan program, emphasis has been placed upon granting special allowance or subsidies to low-income students. Because of this Government subsidy or special allowance, lenders have found it more costly to make loans to those students whose parents' income at the moment is less than $15,000 a year because of the very special "needs tests" and billing procedures involved. We feel that this is inherently discriminatory and that in any future legislation no preference should be given to one class of students over another.

Our third recommendation, that additional latitude be given the lender as a result of the fact that the heavy burden of paying for a student loan many times falls upon the borrower, at a time when he can least afford to make payments. In our present situation, many graduates from colleges, as well as proprietary schools, are finding it very difficult to find employment. For that reason, we believe that the grace period should be extended beyond 1 year, for those students who cannot find employment. However, on the other hand, there are some students who are anxious to begin reducing their obligations as soon as possible.

We believe they should be allowed to begin paying off their loans as soon as possible. Studies have shown that the sooner repayment begins, the greater the likelihood that the loan will be completely repaid. The longer the loan is deferred, the higher the possibility that the student will incur other obligations which will make the student loan repayment more difficult. Consideration should be given to allowing a variable repayment rate, with lower payments during the first year out of school and increasing as the student's income increases over the years.

Also, we believe that there is no reason to continue the present 5-year minimum repayment period. If a student is able to afford to pay the loan off, we see no reason why he should be forced to keep to a 5-year payment plan. In any type of consumer lending we will gladly accommodate the borrowers who wish to pay early.

We have several suggestions for enforcing the present authority given to the regional office.

First, a burden should be placed upon the Office of Education's regional offices to inspect the quality of education as well as the financial eligibility, or the status of eligible schools and to certify them to the lenders as being acceptable.

Second, many lenders contract with private collection agencies to collect loans which have been unrecoverable to the lenders. The days of the heavy-handed harassing debt collector are over. There are a few unscrupulous collection agencies still existing. However, we are confident that a professional debt collector could return to the Government a substantial amount of money that is presently being written off as uncollectable. Furthermore, there is the considerable advantage to this proposal in light of the fact that the present default rate may not continue if students learn that effective action will be taken against them. All lenders know that there is a certain psychological impact upon the borrower when he knows that the lender will attempt to use every means possible to collect his debts.

Those who borrow under the student loan program do not know this. They feel that they can default and the Government will not take action against them. The use of debt collectors would bring this to a speedy halt.

Third, one of the most serious problems that lenders have with the student loan program is the procedure for collecting claims when a loan defaults. In numerous instances lenders have informed us the claims take several months to process and this costs the banks thousands of dollars in lost income.

Therefore, we recommend that the defaulted loans be forwarded to the regional office of the Office of Education for payment and that payment be made immediately to the lender and at a later time the claim be audited. Also, we recommend that the Office of Education pay interest to the lender on the loan until the date the claims are paid. This will cut down on the loss of income which occurs when the lender is attempting to secure payment.

Under present regulations all loans made before March 1, 1973, the Government is liable to pay only the principal and none of the interest due. Therefore, we recommend that the law be amended to require the Office of Education to pay interest due on all defaulted loans which are federally insured.

Our final suggestion is that lending should be restricted to qualified lending institutions only and that the Office of Education should encourage schools to send their students directly to a bank or the lender, in order to obtain a student loan.

It must be strongly impressed upon the student that this is a loan of other people's money and not a grant. All indications are that many schools do not have the expertise in the lending field to perform the credit function adequately. We feel very strongly that experienced lenders are in a much better position to measure repayment ability.

We would now like to specifically discuss the two pieces of legislation which are pending before this committee. We feel that both bills make valid points and that a combination of the two would be in the interest of all parties.

Turning first to the chairman's bill, we have the following recommendations:

Section 425(b) of the act provides that the insurance coverage shall apply to 100 per centum of the unpaid balance of the principal amount of the loan plus interest.

We have a question regarding this description since it does not refer to a specific point in time. Experience indcates that the normal processing time of a default claim causes a significant loss of interest income and we suggest that the specified date be indicated by adding "plus interest to date of claim payment."

It is currently the collection practice of the Office of Education to accumulate interest due from the claim date on defaulted loans. The change suggested would clarify the authority to accrue interest.

Section 427(a)(2)(b) provides that repayment shall not begin earlier than 9 months nor later than 1 year after the student ceases to pursue a full-time course of study at an eligible institution * * *. While we certainly do not oppose the grace period concept or its usual application, there are occasions when its employment serves no useful purpose. One such occasion is when the student borrower, who is at the time on repayment for existing loans under this program, returns to school and borrows again. Under Section 427(a)(2)(b) as quoted above, he is entitled to another grace period before commencing repayment of the new loan. In our experience, such a grace period is unnecessary because the student typically does not have the readjustment stresses that the grace period was designed to alleviate.

In any event, a forbearance under section 430(c) could be requested if such stresses were present. The association believes accordingly that section 427(a)(2)(b) should be amended to state clearly that there shall be one grace period per student as opposed to the construction possible under the existing law of one grace period per loan.

Section 427(a)(2)(b)(ii) of the act provides that the "period of the loan may not exceed 15 years from the execution of the note." This wording allows an interpretation that the repayment period may extend from the date of each note evidencing an individual loan advance. This confuses the consolidation note maturity. We would suggest that the period of the consolidation or "pay out" loan be 15 years from the date of the original Federally Insured Student Loan borrowing. This would also apply to section 428(a)(1)(C)(ii).

Section 427(a)(2)(C)(i) provides that period payments of principal need not be made during the time "which the borrower is pursuing a full-time course of study."

This provision would seem to eliminate those students who are attending less than full time but more than part time. In addition, this section is in conflict with section 428(a)(1)(D) which provides coverage until such time as a student carries less than one-half the normal full-time academic workload as determined by the institutions. We suggest that "one-half academic workload" be consistently used.

Section 428A(b)(2) provides that the special allowance shall be 3 per centum above the per centum which represents the average interest earned by 90-day Treasury bills for that quarter. Since the Treasury bill rate represents the shortest highest-quality credit instrument in the world, it will always be the lowest possible indicator of the cost of credit. Its relatively rapid changes and direct relationship to economic changes make it a valuable indicator of the market but not necessarily the measure of costs in a secondary program such as student loans.

We suggest that if this indicator is used, the special allowance should be set at 4 per centum over the average bill rate. Note the attached analysis [exhibit II] which indicates the inadeuate return a 3-percent premium over the Treasury bill rate would create. Stated another way, the net increase in income versus the actual rate now permitted is very small and would not serve as an inducement to a lender to participate in the program.

We would further suggest in this area, that the payment of the special allowance be made within 30 days of the receipt of the lender's billing.

Section 429(c) provides a charge for insurance in an amount not to exceed one-fourth of 1 percentum per year * * *. This level of insurance premium is not consistent with actual experience. It is our suggestion that the premium be raised to at least 1 per centum.

With reference to exhibit No. II we would ask the chairman permission to make a couple of typographical corrections.

Mr. O'HARA. Without objection, permission is granted.

Mr. SMITH. Section 430(a) of the act provides for the payment of the "amount of loss" sustained by the insured lender upon "default" by the student borrower. The term "amount of loss" is therein defined as "an amount equal to the unpaid balance of the principal amount and interest." The term "default" is defined in section 430(e)(2) and includes only such defaults as have existed for (A) 120 days in the case of a loan which is repayable in monthly instalments * * *.

In other words, if a student borrower fails to make a payment due on January 1, default for purposes of being entitled to insurance proceeds does not occur until 120 days have elapsed or April 30. The amount of loss paid pursuant to the loan insurance is the unpaid balance of the principal amount and interest, as of April 30.

The problem with this arrangement is that it usually requires an additional 60 to 120 days after the date of default to receive actual payment and there is no compensation for the interest lost during the interim.

The loss sustained by participating lenders is substantial in light of the annual rate of default which has been projected to be as high as 20 percent in the future. In order to compensate lenders for the 2 to 4 months of lost interest per defaulted loan, it is suggested that section 430(a), as amended, be further amended ot require the Commission of Education to pay interest on the unpaid balance to the date of disbursement of the insurance proceeds to the lender, as discussed also in our comments on section 425B.

Section 430(C) of the act permits forbearance for the benefit of the student borrower, which may be agreed upon by the parties and approved by the Commission of Education. Such forbearances are designed to accommodate exigent situations that may arise, creating a temporary inability of the borrower to meet the needs of his repayment schedule. When a forbearance is needed, it should be granted immediately. The problem is that the prior approval of the Commission is required and this usually consumes a minimum of 45 days from the date of request by the lender. This is a cumbersome procedure that fails to fulfill the purpose of the forbearance provisions.

It is our proposal that section 430(c) be amended to permit the Commission to waive the prior approval requirement with respect to those lenders which have in the Commission's judgment, consistently manifested prudent and effective collection practices. Such a waiver could be predicated on the existence of certain enumerated factual situations, thus retaining the prior approval requirement as to any other situations. In any event, section 430(c) as it stands, does not provide this latitude and this amendment appears necessary.

Looking at the proposal of the Administration, we would like to pass on the following ideas to the committee:

In regard to the defense of infancy, we support the proposal to not allow defense of infancy in student loan situations. Clearly, allowing this defense abuses the intent behind the common law principle of protecting minors. We urge that in any legislation that is passed, this section on student loans be included.

Regarding the recommendation for minimum payment for married borrowers, under the proposed changes student borrowers who happen to marry each other would be granted a combined loan payment program. If each student had incurred a maximum amount of loans and the maximum repayment period were utilized, payments would be in excess of $232 a month. If each student had dissimilar loan amounts, the effort to combine the repayment in a single payment amount would necessitate proportioning the payment to reduce each loan in an appropriate amount. We are concerned as to the fate of the combined loan if the students who marry are later divorced.

Perhaps an alternative solution would be to offer a lower monthly payment on each loan with an annual review to determine the necessity for the reduced payment amount. This is an alternative permissible at the present time with the approval of the regional director.

Regarding multiple disbursements, the concept of multiple disbursements places the lender directly in a position of policing the entire program. Multiple disbursements present a costly and time-consuming approach from the standpoint of the lender, and consequently we are opposed.

Requirement for schools to provide student data. We endorse the requirement that, educational institutions be required to cooperate in providing student address and enrollment information.

As to proprietary schools as eligible lenders, the question of proprietary school lenders is a very difficult proposal. We agree that the majority of the proprietary schools that also act as eligible lenders have created many problems. However, to bar proprietary schools without restricting all educational institutions may be excessively discriminatory. The high delinquency default ratios cited for proprietary school students is not limited to the portfolio generated by these schools. We believe that the delinquency ratio for all proprietary school students, regardless of who the original lender was, is equally high. Consideration should be given to barring any kind of special arrangements or referral programs for proprietary schools, if they are to be eliminated from the program.

The barring of all educational institutions would reinstate their proper role as educators and let the lenders handle the making of loans.

Collection activities: Any proposed regulations should identify the responsibility of the Office of Education to develop more realistic and effective collection practices than have been demonstrated to date. Our suggested use of private collection agencies may provide valuable assistance.

Student loan bankruptcies: The student loan bankruptcy issue may be merely symptomatic of the general permissiveness of this program. With more explicit instructions to students, better defined eligibility requirements and stronger collection effort, perhaps we could restore enough discipline in this program to avoid the question of providing the U.S. Government with an additional priority.

Mr. Chairman, we have reviewed both pieces of legislation which your committee is now considering. We strongly urge that these bills be combined into one package. Further, we hope that you will give thoughtful consideration to the recommendations which we have made in our statements.

Hopefully, the results from our survey will be available to you before you mark up your bill. Let me assure you that the members of our association and our staff look forward to working with you and the other members of your committee in producing a viable student loan program.

Mr. O'Hara. Thank you, very much, Mr. Smith. And without objections, the exhibits attached to your statement will be included at the end of your statement with the changes—the typographical changes that were mentioned earlier.

[Exhibits as follows:]

EXHIBIT I

Please complete and return to
The Consumer Bankers Association
1725 K Street, N. W.
Washington, D. C. 20006

NAME OF BANK ______________

CITY ______________

QUESTIONNAIRE RELATIVE TO THE FEDERAL GUARANTEED OR INSURED POST SECONDARY STUDENT LOAN PROGRAM

Basic Information (as of December 31, 1974)

Total Resources . . . . $ ______________

Loans & Discounts . . . . $ ______________

Total Consumer Credit . . . . . $ ______________

Total Student Loans . . . . $ ______________

Student Loans in Repayment . . $ ______________

1. Have you ever offered a guaranteed or insured Student Loan Program, but do not offer it now? Yes ______ No ______

   If yes, please explain why you discontinued the program ______________

   ____

2. Do you offer low-interest Guaranteed Student Loans? Yes ______ No ______

   If answer is Yes, are they through Federal programs ______ State programs ______

   Other ______ Please explain ______________

3. Do you offer your own education loan plan? Yes ______ No ______

   If yes, Rate ______ Terms ______ Experience ______________

4. Do you think the following are positive or negative aspects of the Student Loan Program? (Check P for positive and N for negative)

	P	N
a. Rate	______	______
b. Forms	______	______
c. Operating Costs	______	______
d. Payment of Claims	______	______
e. Public Relations	______	______
f. Source of New Business	______	______
g. Contribution to Overall Bank Profit	______	______
h. Sallie Mae	______	______

5. Do you think the following changes to existing programs will make the programs more viable?

	YES	NO	NO DIFFERENCE
a. Elimination of schools as lenders	___	___	___
b. Removal of vocational schools as eligible institutions	___	___	___
c. Requirement that parents sign and become part of the loan agreement	___	___	___
d. Requirement that schools immediately notify lender upon transfer or termination of student	___	___	___
e. Lowering of the amount of borrowing for each student	___	___	___
f. Elimination of Freshman as borrowers	___	___	___
g. Requirement that schools refund directly to Bank upon termination of a student	___	___	___
h. Requirement that lenders disburse funds directly to the school	___	___	___
i. Requirement that lenders disburse funds to student payable to student and school	___	___	___
j. Requirement that lenders make disbursements in multiple instalments, in amounts to cover only 1 academic period at a time	___	___	___

6. Please make any comments negative or positive that you feel would help us to evaluate the present student loan program.

7. If you presently are offering Guaranteed Student Loans, do you plan to continue?

___YES ___NO (if NO - WHY?)

8. Do you think that State Administration of the Guarantee Loan program would be a benefit?

___YES ___NO

To Whom: ________________________________

Why: ________________________________

9. History of Default Experience

Claims Entered

A.

	Number	Dollar Amount
1972	________	__________
1973	________	__________
1974	________	__________

B. Guarantor: ____________________________

C. Have you ever had a claim denied:

___YES ___NO

If yes give Number and Dollar Amount

Number	Dollar Amount
______	__________

10. Do you think that the Guaranteed Student Loan program meets its objectives?

___YES ___NO

Explain: ____

11. Average time for guarantor to pay claim? ________

12. Would you favor more direct grants to students instead of loans?

___YES ___NO

13. Do you feel that many of the problems with the present program would be eliminated if the administrators of the program was decentralized to the Regional Office?

___YES ___NO

14. How many claims have you filed because of student bankruptcy for the following years?

	Number	Percentage of all Claims
1972	______	___
1973	______	___
1974	______	___

15. Would you favor a reduced repayment plan for students who marry and both have loans outstanding?

___YES ___NO

16. Have you ever measured the profitability of the student loan program?

___YES ___NO

If so please provide the results:

17. Instead of the present interest subsidy, would you favor a flat service fee?

___YES ___NO ___BOTH

18. a. What is the approximate number of students turned down by your bank for student loans?

___Approximate Number

b. What percent is this of all student loan applicants?

___PERCENTAGE

c. Are any of the following, the reason why you turn down applicants:

1. Lack of funds? ___Yes ___No
2. No previous loan and deposit relationship? ___Yes ___No
3. Lack of creditworthiness? ___Yes ___No
4. Did not qualify for program? ___Yes ___No
5. Parents did not have a relationship with the bank? ___Yes ___No
6. You do not make loans to freshmen? ___Yes ___No
7. Other (explain): ______________________________

19. From you experience does the college financial aid officer screen out ineligible students?

___YES ___NO

20. Please provide the following information regarding your student loan delinquencies:

   a. Percentage delinquencies by numbers? ___Numbers
   b. Average number of losses per year? ___Per Year
   c. Average net loss? ___Net Loss

21. Would you favor the Office of Education contracting with a private collection agency to collect defaulted student loans?

   ___YES ___NO

22. From your experience please list below what you consider the primary reason for most student loan delinquencies:

EXHIBIT #2

HR BILL 3471 SECTION 428A (b)(2)

PROPOSAL vs PAST FISL SPECIAL ALLOWANCE

	PRESENT METHOD		PROPOSED METHOD (T - BILL PLUS 3%)				
Period Covered	(1) Special Allowance %	(2) Total Yield (1)+(2)	(3) Average Treasury Bill Rate	(4) Total Yield (3)+3%	(5) Special Allowance Required (4)-7%	(6) Net % Diff. (4)-(2)	(7) Net $ Diff.
1969							
3rd qtr.	2.00	9.00	7.01	10.01	3.01	1.01	75,750
4th qtr.	2.25	9.25	7.35	10.35	3.35	1.10	82,500
1970							
1st qtr.	2.00	9.00	7.21	10.21	3.21	1.21	90,750
2nd qtr.	2.25	9.25	6.67	9.67	2.67	.42	31,500
3rd qtr.	2.00	9.00	6.33	9.33	2.33	.33	24,750
4th qtr.	1.50	8.50	5.35	8.35	1.35	(.15)	(11,250)
1971							
1st qtr.	1.00	8.00	3.84	7.00	none	(1.00)	(75,000)
2nd qtr.	1.25	8.25	4.24	7.24	.24	(1.01)	(75,750)
3rd qtr.	1.25	8.25	5.00	8.00	1.00	(.25)	(18,750)
4th qtr.	.75	7.75	4.23	7.23	.23	(.52)	(39,000)
1972							
1st qtr.	.75	7.75	3.44	7.00	none	(.75)	(56,250)
2nd qtr.	.75	7.75	3.77	7.00	none	(.75)	(56,250)
3rd qtr.	.75	7.75	4.22	7.22	.22	(.53)	(39,750)
4th qtr.	.75	7.75	4.86	7.86	.86	.11	8,250
1973							
1st qtr.	1.00	8.00	5.70	8.70	1.70	.70	52,500
2nd qtr.	1.75	8.75	6.60	9.60	2.60	.85	63,750
3rd qtr.	2.50	9.50	8.32	11.32	4.32	1.82	136,500
4th qtr.	2.50	9.50	7.50	10.50	3.50	1.00	75,000
1974							
1st qtr.	2.25	9.25	7.62	10.62	3.62	1.37	102,750
2nd qtr.	3.00	10.00	8.15	11.15	4.15	1.15	86,250
3rd qtr.	3.00	10.00	8.19	11.19	4.19	1.19	89,250
4th qtr.	3.00	10.00	7.36	10.36	3.36	.36	27,000

NET GAIN UNDER PROPOSED METHOD: 574,500

NOTE: Based on $30 million outstandings.

Mr. SMITH. If you have any questions, I would be happy to respond.

Mr. O'HARA. Mr. Smith, there has been a great deal of discussion before the committee about the unwillingness of bankers to make student loans and particularly to make student loans to young people who are not members of the families of bank customers and in particular, to low income or minority students.

My own feeling has been that if we straighten the loan program out and made it more attractive to commercial lenders that they would fully meet the need for loans on the part of students, regardless of their past history in terms of whether or not their families are customers at the bank or whether they come from low income or minority groups.

I would like you to comment on that whole issue that has been discussed before the committee.

Mr. SMITH. All right, sir. I think there have been many banks who have established restrictions in the past that no longer have them. There are banks that still have them. Theres are banks who have been invited repeatedly to join the program and do not. And, there are banks that have been in the program and have discontinued their participation and essentially, I think, the qualifications that have been imposed, those banks have eliminated themselves from the program have done that in an effort to control the amount of expense they have in participating.

I think the problems that you cite are reasons that they do not do it and to the degree that we could resolve some of those problems, if we clean up the operational aspect of it. We would then get banks to eliminate those provisions and participate. The bank has an internal competition for the available funds, and so when its management looks at this investment opportunity and it recognizes that there is a need and a social requirement, to do it. But, when it looks at all of its other investment opportunities, it simply says that that student loan program does not compete well, and therefore we are going to make what we determine to be a significant contribution in trying to help everyone in our service area.

Then they look at it, as any businessman must, since this is the situation, how can we improve or how can we help insure that that student borrower will become a future bank customer. After all, there is an underlying philosophy here that the better job we do in educating people, the better citizens they are, obviously they will become better bank customers as well. So, we look to how we can retain those students as future bank customers.

And, that leads to some special kinds of identification.

Essentially, I think it is a matter of competition. The availability of funds and the decision that enough is enough.

Mr. O'HARA. Well, I think you have given a very good analysis of the problem and it might be that the demand for loans would be so great that even if you have the program—if you made it more attractive, it would still for some banks, at least, they would want to place some sort of limit on the amount of their total business.

Mr. SMITH. There is no question that there would be some kind of a limit imposed by everybody. But, I am confident that if it were operationally more attractive that more banks would participate. So, that even though each bank had a limit the overall participation, availability of funds, would be greatly increased.

Mr. O'Hara. I agree that it would and I am told—the Direct State Lenders, yesterday, when they testified—I am concerned about the idea of the institution itself which sets the price of an education also being in the business of making loans to help meet the price because, in effect, they are sort of making loans—they are saying to the student, here, just sign this piece of paper and we will get our money out of that and then you can pay it off later.

Mr. Smith. I agree with that. I have come to believe from everything that has been told me, and from what I observed in our own banks' involvement and our operation of that program that there are simply other incentives to the educational institution to process the funds, than just getting the student accommodated.

It might be too cynical to suggest, but I think that since the financial aids officers gets his salary from the tuition of the school that he has an interest in increasing the enrollment of the school.

Mr. Simon. First of all, may I say that if I were a stockholder of the Security Pacific National Bank I would applaud your testimony.

As I summarize it, you want higher interest, faster payments, greater allowance for insurance; and greater security for the loans. That sounds like a pretty good program.

Mr. Smith. Thank you, sir. I will give your name to my board chairman and your address.

Mr. Simon. There is this practical problem, there is no question about it, that I have just gone through. A student in my area, his parents—they don't even bank—had to try to get a loan for him and in a small community it is a difficult thing.

I tend, at this point, to think that the university, as you have suggested, should not be making loans. What is your experience or the experience of your association with the State associations, like Minnesota and some of the other States, where they are active in the field?

Mr. Smith. I think that the experience is that the closer the supervision, the better it is. The approach to the Government program that came in was such that most of the State programs were disbanded because of the general nature of the way it was presented. Here is a super program.

So, I think that generally the experience was good, but you have to remember it was early in the game.

Mr. O'Hara. Will the gentleman yield?

Mr. Simon. Yes.

Mr. O'Hara. I think we have to distinguish between the State guarantee agency, which I believe the witness is talking about, such as in the gentleman's own State and a number of other States, which do I think exert a little more or a little closer and a little more supervision of these programs, and the State direct lending agencies, which is another kind of a beast. The best known one, being Wisconsin, which has been in business now for over 40 years.

Whereas, I understand the procedure from the witness we had the other day, the State acquires funds and then the student apples at his institution direct to the State agency for a loan. The State agency sends the check back to the school and then they disburse it to the student.

Mr. **Smith.** Yes. I was answering the question as I understood it to mean the State guarantee administrative plan rather than the State lending plan. We are convinced that any time the lender is involved with his own funds he does a better job, and I am sure to that degree any State student loan program where they are funding their own program making their own loans would have better delinquency rate.

Mr. **Simon.** You make the suggestion that has been made here before about debt collectors. You know, there is something to be said for that. Does it bother you at all that we massively get the Federal Government and State governments involved with having debt collectors?

Mr. **Smith.** It doesn't bother me because the alternative as I see it happening now is that the students are developing more and more the concept that they don't have to pay it back because they have never known anybody that paid the loan back.

We have examples. Just in the last 3 weeks where a student now has found an opportunity to need credit; the application processing and the credit report was obtained and it indicated that in January 1972, that he had defaulted on student loans paid by the Government.

Now, in our credit bureau that is reported as a defaulted loan paid by guarantor, which is a charge-off, in other words. And, so his credit was denied and he came back to me, as being in charge of our program, because he wanted me to understand that he was very young and he didn't understand the consequences and he didn't think it was going to mean anything. Therefore, I should take it off the record.

So, I investigated the matter with the regional office who had been processing the claim for almost 3 years or better, and the amount of collection effort that they had even attempted was nothing. They had followed the student for a few months. Sent some mail to Vail, Colorado to try to locate him up there and that was the extent of it.

The threat of the unknown, so to speak, has to be there or the student is not going to pay. I suspect that every customer would not pay if they didn't think they had to.

Mr. **Simon.** Your suggestion about early payment, I think that makes some sense even if it is a very minimal payment.

Mr. **Smith.** We think two things; first of all, there is no reason to have a minimum 5-year payment—if he can pay $500 a month, fine. The other thing is, a student that is just getting started, let him pay his $10, $20, or $30 a month, and next year raise that as his income goes up, and we should have an annual review after repayment has started.

Mr. **Simon.** This is really what I meant, that you initiate that payment as soon as possible and make it a low amount at the start.

Mr. **Smith.** Certainly, with a college education, and possible employment level, after 10 years, he can pay more than $30 a month.

Mr. **Simon.** I have no further questions, Mr. Chairman.

Mr. **O'Hara.** Thank you.

What you have when you don't have predictable and vigorous collection efforts, is you have sort of a self-selecting grant program—a loan program which is a loan program for the conscientious borrower and a grant program for the less conscientious—is that right?

Mr. **Smith.** Yes. The student that came to me was represented by an interested party who suggested to me that we should followthrough on his request because if the Government can give grain to Russia at a loss, why can't the student get his bad credit record straightened out?

I didn't follow that. Many of them have the idea that because somebody can run faster than they can and therefore the alumni association gives him a grant, that the Government—should give grants that are appropriate.

Mr. O'Hara. Well, my feeling works exactly the other way: That if anybody ought to get a grant, it ought to be the conscientious, and if anybody ought to have to repay it, it ought to be those who aren't conscientious.

Mr. Smith. You can think faster longer than you can run faster.

Mr. O'Hara. Indeed. And, I do think that something has to be done about the collection problem. I am very cheered to note, however, that the collection agencies have become more humane since the days when I was practicing law. Back in those days, they were pretty vigorous.

Mr. Smith. There is no doubt that you will find instances even today where there are some extremely vigorous collection activities. For the most part, they recognize, both the legal limitations and the practical limitations of their efforts.

Mr. O'Hara Well, your statement has been extremely helpful and I assure you, we are going to study it before we take up the bill.

I gather that you don't think that students, as a class, are less reliable borrowers; that you suspect most of your borrowers would fail to repay if they didn't think they had to.

Mr. Smith. I think that is true.

Mr. O'Hara. So, it is the nature of the program that creates the higher defaults.

Mr. Smith. That is right. If you put this collection effort to work right away, time is the essence of successful collection. On the other hand, if the Government institutes the program, it will be a long time developing experience and the expertise necessary to get the job done, and it will be there permanently. If we are correct and a vigorous collection effort does improve the program, reduce the default rate and the delinquency, then you don't hire the collection agency anymore. They are through and they have done their jobs so that you don't build in permanent expense.

Mr. O'Hara. Thank you, very much, for appearing before us today.

STATEMENT OF HON. FRANK THOMPSON, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. Thompson of New Jersey. Mr. Chairman, I am pleased to present for the hearing record on H.R. 3471, materials which were developed at my suggestion by the office of financial aid of Rutgers, the State university of New Jersey. I am advised that the university will make available to our subcommittee any additional information which may be deemed useful and appropriate to a consideration of H.R. 3471 and to make available for testimony the appropriate officials who were responsible for the compilation of this report. The report reads as follows:

Impact of H.R. 3471 Proposals on Students at Rutgers, The State University of New Jersey

A quick overview of Mr. O'Hara's introduction of this bill leads to strong sympathy for his basic goals: Less reliance on large loans and an attempt to keep students from too heavy a debt burden, extra emphasis on student employment, grant funds to the neediest students to guarantee access to postsecondary educational opportunity, some recognition of academic potential in selecting fund recipients, encouragement for other and additional student aid funding from the State governments, support of the flexibility and variety of student financial aid so individual student needs can be recognized and met, and at the same time more understandable and administratable programs.

Rutgers University needy students would be hurt by the current bill. In fact, the bill has the potential to reduce both access to postsecondary education and available funding for currently enrolled students. Middle-income families, already hard pressed, will once more experience an increasingly familiar occurrence: Reduction in social benefits for which they provide the lion's share of resources. The laudable philosophy proposed will be countermanded at every turn by needy students disenfranchised of loans and grants; competing for available jobs inadequately supplied.

A. It is proposed to eliminate new Federal funding of the national direct student loan program. Use of the currently existing revolving fund is permitted.

TABLE I.—NDSL LOANS AT RUTGERS UNIVERSITY

	1973-74 actual loans	1974-75 anticipated totals	1975-76 planned totals
Number of student borrowers	3,459	4,000	4,598
Average loan	566	600	635
Total loaned	1,957,794	2,400,000	2,919,730

If the only funds available were to be collections on the revolving funds already in hand, Table I would look something like this:

TABLE II.—HYPOTHETICAL NDSL LOANS FROM AVAILABLE COLLECTIONS, ONLY

	1973-74	1974-75	1975-76
Number of borrowers	516+	666+	708+
Average loan	566	600	635
Total loaned	292,419	400,000	450,000

Note: The "+" on each number of borrowers indicates a fraction of a borrower, because the total loaned is a given and so is the average loan; both taken from other sources.

Rutgers University was able to provide assistance to needy students because of new Federal funds each year in the following numbers:

TABLE III.—NUMBER OF NDSL BORROWERS

	1973-74	1974-75	1975-76
Total borrowers	3,459	4,000	4,598
Hypothetical borrowers, collections only	516	666	708
Students needing funds who would not have been served by NDSL	2,943	3,334	3,890

Multiplying these hypothetically unassisted students by their average loan figures, Rutgers University would need the following additional funds from some other source just to help the students already being helped:

TABLE IV.—NEEDED FUNDS FROM NON-NDSL SOURCES

	1973–74	1974–75	1975–76
Number of unassisted needy students	2,943	3,334	3,890
Average loan	566	600	635
Needed funds	1,665,738	2,000,400	2,470,150

The question, of course, is where these moneys will be found.

Compounding the funding problem Rutgers University faces an additional and very serious problem of really needy students being outside the above figures.

With more than half of Rutgers entering freshmen financial aid applicants already processed [3,200 out of an expected 4,500] it seems clear that Rutgers will not be able to offer an NDSL loan to any student with less than $1,100 calculated financial need after taking into consideration all student's resources including parents contribution and student assets and summer earnings. There is not enough money, following the principle of helping the neediest first, to assist more than a few middle-income students [family income ranging from $12,000 to $20,000] with this money now, and the parents' contribution referred to in this paragraph was calculated on the Office of Education Federal curve, not the more liberal CSS or ACT curves which would produce substantially more need.

How will this need and this currently existing financial support be met by the H.R. 3471 proposals?

B. Certainly not by grant funds. The bill proposes to limit the basic grant to either $600 per neediest student or the maximum grant for 1975–76 [which figure is not public knowledge at this writing].

Rutgers University projects that it will have about 1,750 BEOG recipients in 1974–75, with an average grant of about $750 per student recipient on the $1,050 maximum grant scale; for a total funding of about $1,312,500. The inclusion of a third class of students next year leads to the optimistic projection that Rutgers might have 3,000 recipients next year at an average of $700 per recipient for a total of $2,100,000 in funding.

Before the conclusion is reached that this additional funding can help the NDSL shortage, it must be noted that the projected BEOG awards are already built into the financial aid award system at Rutgers which generated the NDSL distribution described above. The new BEOG funds at Rutgers will belong to a whole new group of students not previously eligible. Therefore, the need for additional NDSL funds now, as well as the problem of where to replace NDSL lost funding if the program is terminated remains uneffected by the growth of the basic grant program.

Of course, the addition of part-time students to the eligible pool of student recipients of BEOG's will add an additional burden on the funds available. For the most part, these students are not now recipients of NDSL's because inadequate funding has kept this group of needy students from significant participation. Now, with BEOG support, more needy part-time students will be seeking additional help to finance their educational costs and this will add eligible recipients to the NDSL candidate group.

C. Meanwhile, further fund withdrawal is proposed by H.R. 3471. Rutgers has maintained an active and vital SEOG program which now faces almost complete annihilation. Reducing the funds available and restricting the new SEOG awards to the academically talented will have the effect of shifting what small number of awards do exist to a completely different population of students.

New Jersey has developed a strong State program of direct aid to needy students called the educational opportunity fund grants. H.R. 3471 would bring about exactly what Mr. O'Hara wishes to avoid: A large loan commitment held by an academically weak but potentially successful students. Because by definition and program eligibility these students are also among the neediest, they often receive approximately 40 percent of Rutgers available initial year SEOG and sometimes more than a majority of the awards.

H.R. 3471 proposes instead to seek out the academically superior student who also is BEOG eligible, and bestow upon a relative few the only available funding.

Has any investigation provided solid evidence that: (1) The kinds of students sought are really in this economic group;

(2) there are really sound reasons for assisting just this particular group of academically superior students;

(3) academic potential can be readily identified for all vocational choices and student backgrounds; and

(4) The Federal Government should involve itself directly or indirectly in the establishment of standards for measuring academic potential and/or achievement.

Although extensive research is not at hand, some existing evidence suggests quite strongly that the economically deprived students tend to score less well on standardized tests and it is possible to project that the strongest academic performances will not be found in the basic grant population for this reason.

Meanwhile, the student with solid academic credentials who comes from very poor or modest circumstances is in real trouble. A broader look at Rutgers SEOG program is warranted.

TABLE V.—SEOG PROGRAM AT RUTGERS UNIVERSITY

	1973–74	1974–75	1975–76
Student recipients	2,969	2,950	2,609
Average award	429	430	563
Total funds	1,273,701	1,268,500	1,468,867

Several observations should be made. If there will be approximately 40,000 SEOG's nationally, and these awards will be directly linked to Basic Grant recipients, it is clear that Rutgers needy student recipients of SEOG will have to seek funds elsewhere.

Estimating approximately one million Basic Grant recipients nationwide next year, 40,000 SEOG's would permit about one in every twenty-five Basic Grant recipients to receive an SEOG. Permitting

Rutgers University to assume that it attracts quite a large number of academically talented students and that one dollar of Basic Grant eligibility would constitute eligibility for SEOG, Rutgers might optomistically project a 1 in 15 ratio.

Since Rutgers expects about 3000 Basic Grant recipients next year, this would provide 200 SEOG's for Rutgers needy students.

Just what would become of the other 2409 very needy SEOG recipients above, who still are enrolled in Rutgers University and still need $1,356,267 in financial assistance. These people must compete with the 3,890 people looking for $2,470,150 from the defunct NDSL Program. In cases—quite a number—where they are the *same* person in both programs, the need would be for $635 plus $563 equals $1,198 new funds to be added to already existing resources.

And, H.R. 3471 has just reduced the available loan limit to this same student under the Guaranteed Loan Program, a Freshman at Rutgers could not borrow that amount. H.R. 3471 limits him to $1,000.

In addition, shortages of funds this year at Rutgers made it necessary for the University to meet only 72% of calculated financial need for *awarded* students. Thus, the typical student above had already been forced beyond his parents and his own assets and summer savings to generate 38% of the balance.

To expect this student to somehow come up with $1,198 more is totally unreasonable!

Having limited loans severely and critically reduced grant funds, H.R. 3471 counts too heavily on student employment.

D. Rutgers University has an active College Work-Study Program.

TABLE VI.—CWSP AT RUTGERS UNIVERSITY

	1973-74 actual	1974-75 estimated	1975-76 estimated
Number of students	2, 043	2, 320	2, 486
Average earnings	541	600	600
Total earnings	1, 105, 855	1, 392, 371	1, 491, 731

Rutgers will overspend its original CWSP allocation this year. As of March 1, 1975, students had earned $1,125,000 of an award of $1,267,371; leaving only $142,371 to be earned in four months including June—part of the summer job period. Supplemental funds were found in the amout of $125,000 but even this may not be enough and Rutgers has very strongly encouraged Congress to permit the transfer of unused CWSP funds this year so badly needed additional earnings can be offered students already working.

The question is how this program could absorb the additional requirement for $3,826,417 in net student aid (remembering that withholding for Income Tax and Social Security must be deducted as must reasonable expenses incurred in a work situation, thus raising the real earnings some 20% more) when it is straining its funding limits now at less than half that figure.

Meanwhile student need is increasing at an astounding rate. Tuition rates will undoubtedly rise. The New Jersey Legislature has already considered this year a $300 tuition increase for every student. The cost of food has skyrocketed; gasoline for commuting students costs double what it did 18 months ago. Meanwhile, the real purchasing power of most family incomes had declined because of inflation and recession pressures in the general economy.

It seems reasonable to project that students now in postsecondary education will face the need for additional funds before they graduate and incoming freshmen at Rutgers are expected to show increasing amounts of real need for financial assistance in the forseeable future.

Rutgers now meets its needy students with as balanced a "package" of financial assistance as it is possible to contrive. This approach spreads the loan obligations as broadly as possible and reduces to the extent possible an undue reliance on long-term debt, prevents unfair concentration of very desirable grant dollars, and attempts to assure a reasonable job commitment. Such a philosophy squares directly with Mr. O'Hara's goals in introducing H.R. 3471, while the bill in its current form would destroy most of the balance so valuable to the packaging concept.

Perhaps an example would best illustrate Rutgers concern. A student from a family with three children and an income of $12,000 would receive the following resources:

Parents contribution	$1, 002
Students summer savings	400
Total family contribution	1, 402

Living in a Rutgers dormatory, the student would face a typical budget:

Tuition and required fees	$736
Books and supplies	200
Room and board	1, 550
Transportation	214
Personal and miscellaneous	500
Total	3, 200

Subtracting the total family contribution from the budget leaves the need: $3,200 minus $1,402 equals $1,798.

which can now be packaged as follows:

National direct student loan	$635
College work-shop program	600
Supplemental educational opportunity grant	563
Total	1, 798

Such a student would be eligible for a small Basic Grant under some levels of almost full funding.

Since the Basic Grant eligibility calculations are much more restrictive than the Federal Curve proposed by O.E. upon which the above example was calculated, it is not likely that a possible Basic Grant would substantially effect the above student.

H.R. 3471 proposes to restrict the Basic Grant to its current level of performance so we need not make any change in the above paragraph. But, the above student under H.R. 3471 would loose both his NDSL and SEOG in all probability. He could try to borrow the $635 at his local bank under the Guaranteed Loan Program, thus removing his parents' option to borrow a part of their required $1,002 if they found it difficult to provide the cash when it was needed.

The SEOG is simply gone. Dubling his workload is unreasonable and may well lead to less than satisfactory performance of both job and school work. Our student above is scheduled to work enough hours to save $600. Typically this would be:

Per hour wage rate	$2.20
Hours per week worked	15
Gross earnings per week	33.00
Weeks available for term-time work	30
Total gross earnings	990.00
Various taxes withheld	250.00
Total	740.00
Expenses related to work, that is, transportation, clothing, food, etc	140.00
Net savings available	600.00

If it becomes necessary to double the weekly workload to 30 hours, as indeed it is, the student is now employed approximately 5/6 of a standard 35 hour work week. It seems unreasonable that currently enrolled full-time students would be required to maintain study and 5/6 full-time employment. This is not a healthy goal for our University's educational participants.

The problem is even more accute for the truly poor student. The example of an incoming freshman will show this, with the same budget, but no parents' contribution:

Budget	$3,200
Summer savings	300
Need	2,900
Basic grant	1,050
National direct student loan	800
College work-shop program	600
Supplemental educational opportunity grants	450
Unmet need	0

Losing $1,250 from NDSL and SEOG, and with no credit or banking experience, this student is in desperate financial need. Denied a loan by a bank, the student faces certain disaster in trying to triple his earnings. Yet that is the only opportunity open to the needy student, and this kind of problem crosses financial aid officers desks every day.

H.R. 3471 is hardest on the lower-middle and middle-income families, however. As long as financial aid officers concientiously attempt to aid the neediest students first, as Rutgers has traditionally done, the limited funds will just shift further toward the low-income student. Awarding NDSL loans to needy, but not full need students, will not be possible in large numbers. Supplemental educational opportunity grants which were meant to make the financial difference for many students who could put together part of their needed funds—but not all— will be gone; to be enjoyed only by a few of those students identified by the restrictive targeting of the basic grant distribution system. The guaranteed loan program is restricted so that middle-income students cannot borrow the sums they need.

Last, but not least, the need test is removed from the job program so all 44,000 Rutgers students can compete with the 2,486 who currently are going to be employed, plus the extra demand of needy students for four times as much money as Rutgers now has.

The desire to increase employment options for students is strongly supported. The problem is available funds and available jobs. If H.R. 3471 is passed into law in its current form, Rutgers will need at least four times as much CWSP funding as it now has before it can begin to contemplate the comparative luxury of providing jobs for students who simply want to work.

The problem of providing adequate administrative expense allowance to the supervising institutions is also critical to any enhancement of the CWSP, without mention of a real need for strong administrative support to the current programs.

The job programs are by far the most expensive to administer. Weekly and biweekly payroll supervision is required. Job placement is a lengthy and time-consuming task. Billing off-campus agencies for their share of the payroll is almost a full-time position at Rutgers. Careful supervision of the job performance of student employees is a critical part of the program but very necessary, particularly when the CWSP job is the first real work experience the student has had. And, of course, the various reports, applications, rules, and regulations, compliance supervision requires tremendous amounts of professional staff time.

At Rutgers, the student financial aid programs are large enough to eclipse the $125,000 administrative expense limit and the experience of the university is that the costs of administering the programs exceed the $125,000 by a substantial margin. Rutgers is developing the truly centralized control of all financial aid functions in a central office as the various schools which make up the university are now working together with many common procedures. Which such administrative sophistication is necessary to effective distribution of funds, computer time, and programing are expensive, skilled staff costs money to hire and to retain, on-the-job training and professional development of competent financial aid officers is very costly. No final figures are yet available which would permit Rutgers to cost out individual program demands on the total budget. Even the total budget is still to be combined and evaluated, from the maintenance of student counselors to help students complete a basic grant application to the payroll department's biweekly cost of running CWSP checks to the envelopes required to send out requests of general financial information.

Ironically, one of the principal reasons this data is not available yet is that the staff time to get it cannot be afforded.

H.R. 3471 represents a creative and thought-provoking reassessment of a complicated and very idealistic set of programs. Rutgers University endorses strongly the attempt to maintain and expand low-cost educational opportunities for every United States citizen who can benefit therefrom. Unfortunately, the present bill may encourage just the opposite result. By unbalancing the grants and loans available to students, and disproportionately emphasizing employment without adequate financial support, the outcome could be lengthening the time students remain in postsecondary education, increasing the competitive pressure for an academic achievement not yet truly related to successful living, constraining access to economic resources so that the children and adults from middle-income families find it harder to meet the economic demands of their educational goals.

Mr. O'Hara. The subcommittee will now stand in adjournment until tomorrow morning at 9:30 a.m., in room 2175 of the Rayburn Building.

[Whereupon, the subcommittee adjourned at 11:30 a.m.]

THE STUDENT FINANCIAL AID ACT OF 1975

FRIDAY APRIL 11, 1975

House of Representatives
Subcommittee on Postsecondary Education
of the Education and Labor Committee
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to notice, in room 2175, Rayburn Building, Hon. James G. O'Hara, chairman of the subcommittee, presiding.

Members present: Representatives O'Hara, Quie, Mrs. Smith.

Mr. O'Hara. The subcommittee will come to order. Today the subcommittee is conducting the last of its scheduled hearings on H.R. 3471, H.R. 4376, and related proposals to amend title IV of the Higher Education Act, which is the title dealing with student financial assistance.

Before I begin the hearings, I would like to try to summarize my own reactions to the month of hearings we have had this year on these bills. At the outset of these hearings on March 12,, I said:

> There are differences of opinion about the provisions of of H.R. 3471. I would be amazed if there were not differences of opinion about any bill brought before us to assist in the postsecondary education of our people. That is a vitally important subject and it deserves strongly held and divergent opinions. These hearings are being held to elicit those differences of opinion and to test the conclusions each of us has reached, or they are a total waste of time. So, the prospect that there will be differences of opinion between the subcommittee and the witnesses or among the witnesses themselves or among the members of the subcommittee seems to me to be a healthy sign.

Well, after the month of hearings, I must observe that I have not been amazed. The amount of health which has been attested by the divergence of opinion has been very encouraging. I don't think there has been a witness before us who has approved of every provision of H.R. 3471, nor for that matter have there been any witnesses who have disapproved of every provision of H.R. 3471.

I announced on the House floor March 18, that events had overtaken my own estimate of what would be needed to properly fund the work-study program, and that I intended to offer an amendment in markup to increase my own proposals in that area.

Let me underscore what I think is already obvious. The hearings and the hard thinking they have elicited will result in a better bill than any of those that have been introduced to date. While my faith in my own infallibility remains about where it was, my faith in the ability of the legislative process to bring us all to levels above those at which we started remains undimmed.

We will continue to work together to develop a bill, a bill that will be better than H.R. 3471, better than the amendment any one of us may be preparing, a bill that will serve the interests of students and their families first and foremost.

Today's witnesses will be testifying on the so-called TRIO programs those programs authorized under sections 417A and 417B of the act. The bill proposes only one serious change in the existing language—and that is the inclusion of veterans as a target group under these programs of special services to disadvantaged students. I sense that this is an inadequate treatment of these programs, and I have invited Miss Dot Routh, who was staff director of the task force on the disadvantaged and postsecondary education, to talk to us about what directions the special services programs might take in the years just ahead so as to best meet the needs of students who do come to the colleges with real educational disadvantages.

Ms. Routh appears with some trepidation today because, although she was not a Government employee at the time the task force report was being developed she did feel some reluctance to talk about it before it had been released for public discussion by the Office of Education.

I am happy to say that the reason for that quite proper hesitation on the witness's part has been removed with the cooperation of the Commissioner. I had occasion the other day to differ rather sharply with the Commissioner on educational policy, and I don't retract a word of that criticism. But, like his predecessor, Commissioner Bell has gone out of his way to cooperate procedurally with the subcommittee.

When we heard that Ms. Routh could testify, a request to the Office of Education resulted almost instantly in the delivery of the text of the task force report.

That report does not have the approval of OE, and the review process in that office has not yet been completed, so I have to say that it does not necessarily reresent the opinion of the Commissioner or of the Department. But the Commissioner has released it, in his own words, so that "our discussions with regard to special services programs can continue to be candid and open." Subject to that understanding, and with great appreciation for the Commissioner's continuing assistance in making possible candid and open discussions of these important problems, I ask that a summary of this report be printed at this point.

[The summary follows:]

LIST OF THE MEMBERSHIP AND STAFF OF THE TASK FORCE ON THE DISADVANTAGED AND POSTSECONDARY EDUCATION

Chairman: Dr. Leonard H. O. Spearman, Director, Division of Student Support and Special Programs, U.S.O.E. Washington, D.C.

GOVERNMENT REPRESENTATION

HEW—Washington

Cora Beebe (Carleen Crumpton-Bawden), Acting Director, Budget Division, Office of Planning, Budget and Evaluation.

Charles Cooke, Jr. (Tony Imler & Peter Gossens), Deputy Assistant Secretary for Legislation (Education).

Sal Corrallo (Robert Berls), Director, Office of Postsecondary and International Education, Office of Planning, Budget and Evaluation.

William Dingeldein, Chief, Education Branch, Division of Budget Formulation.
William C. Gescheider, Chief, Planning Staff, Bureau of Postsecondary Education.
David D. Johnson, Chief, Special Programs Branch, Division of Student Support and Special Programs.
Martin Kramer (Rich Wabnick), Acting Deputy Assistant Secretary for Planning and Evaluation.
Sharon Patrick, Management Control Staff.
John D. Phillips (Jim Kesler), Associate Commissioner, Office of Student Assistance.
Paul Shapiro (Kate Arbogast), Policy Analyst, Assistant Secretary—Education.

HEW—Regional Offices

Dr. Carroll Galbreath, Director, Postsecondary Education, Dallas, Tex.
Mr. Gerald Martinez, SSS Program Officer, Denver, Colo.

OMB

Allen Jackson, Chief, Education Unit, Office of Managment and Budget, Washington, D.C.

NONGOVERNMENT REPRESENTATION

Mr. Louis Alvarez, National Executive Director, Aspira of America, New York, N.Y.
Dr. Allen Ballard, CUNY-Vice Chancellor for Academic Affairs, New York, N.Y.
Dr. Elias Blake (Linda Lambert), President, Institute for Services to Education, Washington, D.C.
Ms. Sharon Bush, Staff Associate, National Board on Graduate Education, Washington, D.C.
Ms. Edna Cardona, Kirkland College, Student, Clinton, N.Y.
Mr. K. Z. Chavis, Director, Leadership Development Program, Southern Regional Council, Atlanta, Ga.
Ms. Carol Davis, Director, Talent Search, Belcourt, N. Dak.
Dr. Leonard Dawson, Director, Moton College Service Bureau, Washington, D.C.
Mr. Miles Fisher, Executive Secretary, National Association of Equal Opportunity in Postsecondary Education, Washington, D.C.
Dr. Roger Heyns (Langley Spurlock), President, American Council on Education, Washington, D.C.
Dr. Phillip Jones, Director, Special Support Services, University of Iowa, Iowa City, Iowa.
Dr. Charles L. Lewis (Paul L. Collins), Executive Director, American Personnel & Guidance Association, Washington, D.C.
Dr. Lionel Maldonado, Professor of Sociology, Department of Sociology, University of Utah, Salt Lake City, Utah.
Dr. Richard Millard (Gene Hensley), Director, Higher Education Services, Education Commission of the States, Denver, Colo.
Dr. Rodney Reed, Professor of Education, University of California, Berkeley, Calif.
Dr. John Tirrell, American Association of Junior Colleges, Washington, D.C.
Mr. Richard Tombaugh, Executive Secretary, National Association of Student Financial Aid Administrators, Washington, D.C.

EX-OFFICIO

Dr. Chuck Gordon, Dean of Student Services, Wayne State University, Detroit, Mich.
Dr. James Kelly, Program Officer-Public Education, The Ford Foundation, New York, N.Y.

TASK FORCE STAFF

Dot Ronth, Director.
Marty Jacobs, HEW Management Intern.
Randy Lockett, Leadership Development Program Fellow.
Donna Wilson, Managment Associate, Office of Management and Budget.

SUMMARY REPORT—RECOMMENDATIONS FOR NEW DELIVERY SYSTEMS

I. INTRODUCTION

The Task Force on the Disadvantaged and Postsecondary Education, composed of thirty-three members from within and outside government, has been engaged since September, 1974 in a review of the major federally supported programs designed to assist the disadvantaged in achieving postsecondary education. Recognizing that the legislative authority for the Upward Bound, Talent Search, Special Services for Disadvantaged Students and the newly established Educational Opportunity Centers Programs expires in 1975, the major consideration in implementing this review is to offer options and recommendations for an effective delivery system after 1975 and to insure that the proper role of the federal government in that delivery system is in keeping with the changing needs of society.

The Task Force has by no means attempted to address all of the issues regarding the disadvantaged in this paper. What it has done is to use currently operating delivery systems as a springboard in order (1) to ferret out the role of the government in the education of disadvantaged youth, and (2) to suggest modified systems which may be more encompassing and effective.

The format employed by the Task Force in this inquiry has involved a review of the legislative history and accomplishments of existing programs; participation in the meetings of project directors in each of the ten HEW regions; site visits to selected projects, agencies and institutions across the country; meetings with current and previous evaluators of the programs; and interviews with students, university administrators, governmental agency representatives, and representatives of non-governmental educational agencies. Additionally, the Task Force has actively encouraged interested persons acting collectively or individually to submit in writing their thoughtful comments regarding the future of these programs.

In December a draft decision paper was reviewed by the Task Force and by over one hundred participants at a National Work Conference, who represented project directors and staff, regional and national office personnel, and other individuals and experts representing various regional, ethnic, and institutional concerns and interests.

This summary report has incorporated the valuable input and suggestions of these individuals and their clients or constituencies, and the recommendations herein reflect the collective thought of these groups.

II. REVIEW AND DESCRIPTION OF CURRENT PROGRAMS

The current delivery system—namely, Talent Search, Upward Bound, Educational Opportunity Centers, and Special Services to Disadvantaged Students—is an administrative nightmare. While all of these programs focus on the education of the disadvantaged, each is characterized by legislative peculiarities that make for: (a) an overlap in scope of operation, (b) failure to effect an adequate data collection and reporting system, (c) inability to identify specific national goals, and (d) failure to recognize the need for training and for the sharing of effective practices in educating disadvantaged youth.

The above criticisms can probably be best attributed to the fact that each program was introduced into law at a different time and each grew out of different circumstances. The result has, of course, been a mosaic which now requires a thorough assessment and appraisal in order to project a more comprehensive and effective system in responding to the postsecondary educational needs of disadvantaged youth.

A review of current program activity is basic to the understanding of the system proposed in this paper.

A. Legislative History

Talent Search

The Talent Search Program was created by Section 408(a) of the Higher Education Act of 1965, as a recruiting mechanism to identify students who would be eligible to receive Educational Opportunity Grants authorized by the same legislation.

The original objectives of the program were:

"(i) to identify qualified youths of exceptional financial need and encourge them to complete secondary school and to undertake postsecondary educational training; (ii) to publicize existing forms of student financial aid; and, (iii) to encourage secondary school or college dropouts of demonstrated aptitude to reenter educational programs, including postsecondary-school programs."

The legislation designated eligible sponsoring agencies to include state and local educational agencies and other public and nonprofit organizations and institutions, and set a federal funding ceiling of $100,000 per project.

Initial-year funding procedures were completed in the Spring of 1966, and the program became operational on July 1, 1966.

The Higher Education Amendments of 1968 broadened the range of eligible sponsoring agencies for Talent Search projects to include institutions of higher education and combinations of such institutions, as well as public and private nonprofit agencies and organizations (including professional and scholarly associations). The 1968 amendments also modified the definition of persons eligible for Talent Search services from "qualified youth of exceptional financial need" to "qualified youths of financial or cultural need with an exceptional potential for postsecondary educational training." Consequenty, the participation criteria shifted from solely one of "income" to one that included need within a context of "exceptional potential" for postsecondary education.

The Educational Amendments of 1972 (P.L. 92-318) removed the $100,000 project funding limitation and added as eligible funding agents both institutions with vocational and career education programs and, in exceptional cases, secondary schools and secondary vocational schools.

Upward Bound

The Upward Bound Program originated from pilot projects funded during the summer of 1965 with private funds from the Carnegie Corporation and research and demonstration funds for experimental programs from the Office of Economic Opportunity. The pilot projects were designed as summer units for low-income students who would enter college the following September, but were in need of intensive college preparatory programs.

As the results were analyzed, the Office of Economic Opportunity decided that a year-round program was needed to meet the special needs of disadvantaged students preparing for college, including both residential summer and academic year follow-up activities, and extending service throughout the two or three years prior to high school graduation to students who could be characterized as "academic risks." The new program was subsequently authorized as a national program under the 1966 amendments of the Economic Opportunity Act, becoming a component of the Community Action Program in the Spring of 1966.

The Upward Bound Program was intended "to generate skills and motivation necessary for success in education beyond high school for enrollees from low-income backgrounds with inadequate secondary school preparation for postsecondary education by enrolling students in essentially full-time project activities." Program guidelines required a residential summer program together with a limited academic year follow-up program (weekly meetings) to gauge the success of the Summer's activities in terms of individual student performance in the secondary school classroom. The eligible student population was broadly defined as those with "academic risk" for postsecondary education in view of their inadequate levels of academic preparation in the secondary school system, and the lack of personal motivation for education.

The Higher Education Amendments of 1968 transferred the Upward Bound Program from the Office of Economic Opportunity to the Office of Education and established certain specific requirements for the program. Individual projects were required to: effect arrangments to assure cooperation between institutions of higher education and secondary schools; provide health services for all participants; provide limited stipend payments up to a maximum of $30 per month per participant; and establish a maximum cost-per-student of $1,800 per annum, with the federal share of expenditures limited to a maximum of 80 percent of total program costs ($1,440 per student).

The Education Amendments of 1972 removed all of the requirements cited above except for the maximum limitation on stipends. Removal of the non-federal share requirements and the cost-per-student ceiling increased the federal cost to 100 percent.

Special Services for Disadvantaged Students

The Higher Education Amendments of 1968 amended Section 408 of the Higher Education Act of 1965 to provide a program of Special Services for Disadvantaged Students in college. The program was intended to provide remedial and other special services for students with academic potential who are enrolled or accepted for enrollment at higher educational institutions receiving funding to support such program activities. Eligibile participants are defined as students who, by reason of deprived educational, cultural, or economic background, or physical handicap, are in need of such services to successfully pursue a program of postsecondary education.

The 1968 legislation authorized projects to provide such specific types of activities as "(A) counseling, tutorial, or other educational services, including special summer programs, to remedy such students' academic deficiencies, (B) career guidance, placement, or other student personnel services to encourage or facilitate such students' continuation or reentrance in a higher education program, or (C) identification, encouragement, and counseling of any such students with a view to their undertaking a program of graduate or professional education." Initial-year funding procedures were completed in the Spring of 1970, and the program became operational on July 1, 1970.

The Education Amendments of 1972 omitted reference to any specific activities and defined the program as simply "remedial and other special services for students with academic potential" enrolled at most institutions.

The recently enacted P.L. 93–380 (Elementary and Secondary Education Act) amends the Special Services for Disadvantaged Students Program to include provision for students of limited English speaking ability enrolled in postsecondary institutions. The legislation requires a program of English language instructions, bilingual instruction, tutoring, and counseling and guidance for students who have difficulty in understanding instruction in the English language.

Educational Opportunity Centers

The Educational Amendments of 1972 further amended the Higher Education Act of 1965 to establish Educational Opportunity Centers in areas with major concentrations of low-income populations to provide, in coordination with other applicable programs and services: (i) information with respect to financial and academic assistance available for persons residing in such areas desiring to pursue a program of postsecondary education; (ii) assistance to such persons in applying for admission to institutions at which a program of postsecondary education is offered, including preparing necessary applications for use by admission and financial aid officers; and (iii) counseling services and tutorial and other necessary assistance to such persons while attending such institutions. The Centers will serve as recruiting and counseling pools to coordinate resources and staff efforts of institutions of higher education and of other institutions offering programs of postsecondary education in admitting educationally disadvantaged persons.

Grantees, if engaged in such activity prior to receipt of federal funds, are required to maintain their prior level of effort. The federal share of establishing and operating such Centers is set at a maximum of 75 percent of total program costs. Twelve pilot projects have begun operation during 1974–75.

Projects for Veterans

It is important to note at this point that although the statutes do not specifically authorize the Office of Education to fund projects for veterans, the Office of Education did receive a special appropriation in 1972 to develop Special Veterans Talent Search/Upward Bound projects to aid those veterans who have been unable to take advantage of the educational benefits of the GI Bill to enroll in postsecondary education by employing the Upward Bound technique toward this group of disadvantaged citizens.

B. Program Administration

These programs are administered under grant of contract agreements between the U.S. Commissioner of Education and participating agencies, organizations and institutions of postsecondary education. Under the terms of these agreements, the grantees/contractors plan, develop and carry-out programs designed to identify qualified youths from low-income families, prepare them for a program of postsecondary education, and/or provide special services for such students who are pursuing programs of postsecondary education.

Until 1971, these three programs were administered from the Central U.S. Office of Education. On January 1, 1972, the authority for the administration of the program was delegated to the Regional Offices of Education, giving them responsibility for the evaluation of proposals, funding decisions, grant and contract negotiations, and the monitoring of funded projects.

Proposals are submitted annually to the Regional offices. Each proposal is read by a panel of experts in the education of disadvantaged students, including two non-federal readers and a number of the OE Regional Office program staff. After reviewing these evaluations, the Regional staff requests a third non-federal evaluation if there is a wide divergence of opinion about the proposal. Those recommended for funding are approved by the Regional Commissioner of Education.

During the 1973–74 funding cycle, a multi-year approval system was implemented for these programs. This system is designed to allow applicants to project goals, objectives, work plans and activities over a three-year period. Continued funding for the full multi-year cycle is always contingent upon the availability of funds, a successful prior-year performance, and an administrative decision that continuation is "in the best interest of the government." Successful applicants under this system must reapply in each succeeding year as "noncompeting continuation applicants."

Roughly 96.5 percent of the total program funds are allocated annually from the Central office to the Regional offices to support regular projects. About 3.5 percent of the program funds are retained by the Central office to support demonstration and service projects which are national or inter-Regional in scope. These projects, which are a mechanism for implementing innovative concepts for the education of the disadvantaged or providing national services, are funded and monitored by the Central office in conjunction with Regional personnel.

Regulations including criteria for the Educational Opportunity Center projects were published in the *Federal Register* on April 29, 1974. A total of 180 proposals was received at the Central office on May 29, 1974. A panel of non-federal experts in education of the distadvantaged was invited to join with the Office of Education to evaluate these proposals for new program activity. Twelve pilot projects have begun operation during the first year of the program.

The evaluation of the Student Special Services Program is based on three general sources of information: (A) on-site evaluations of projects; (B) regular reports submitted by the projects and maintained in the Management Information System of the Office of Education; and, (C) special studies contracted by the Office of Education or undertaken by other agencies.

(See attached tables of program funding histories, and types of grantees.)

III. OVERVIEW OF INEQUITIES AND NEEDS

A review of the research and literature clearly demonstrates that if one is (1) poor, (2) a minority, or (3) physically disabled, one's chances of successfully entering and completing postsecondary education are unequal as compared to the rest of the society. Cited below are alarming examples of findings discussed in depth in the Task Force report, *Inequities and Needs of Disadvantaged individuals.*

A. *Socioeconomic status.*—Research relating low socioeconomic status and educational attainment provides evidence that only one out of every two youngsters from a low-income background will graduate from high school. Of the most talented of that group—those in the upper quartile as measured by middle-class oriented instruments—only one of every two will even attend college. Of that same upper quartile of high school graduates only one in five, will graduate from college.

B. *Minority status.*—In 1970 minorities constituted 16.8 percent of the U.S. population, but only 10.6 percent of postsecondary undergraduate enrollment. Of minorities enrolled in postsecondary institutions, only about one fourth are enrolled in the upper division. Many minority students in community colleges are in terminal occupational programs.

In graduate and professional schools minority enrollment is disproportionately low—comprising only 5.8 percent of the total enrollment.

(1) *Spanish Surnamed.*—Spanish Surnamed Americans, representing 4.6 percent of the total population, comprised only 2.1 percent of the enrollment in higher education.

(a) *Chicano.*—In an analysis of five southwestern states, approximately 76 percent of the white population aged 25–29 completed at least four years of high school compared to 52 percent of Spanish Americans.

(b) *Puerto Rican.*—It was reported that in New York and New Jersey, which contain the vast majority of the Nation's Puerto Ricans, nearly 77 percent of whites compared to 30 percent of Puerto Ricans between the ages of 25 and 29 had completed at least four years of high school.

(2) *Native Americans.*—It was reported that an overall dropout rate of 50 to 60 percent from elementary and secondary schools is customarily cited. Where Native Americans are reported as comprising .4 percent of the total population, census figures showed them as only .23 of higher education enrollment.

(3) *Blacks.*—While comprising 11.1 percent of the total population, Blacks comprise only 6.9 percent of undergraduate enrollment in colleges and universities. It has been noted that Black enrollment peaked in 1972 and has declined since that time.

C. *Physically handicapped.*—It is reported that our country is only educating 40 percent of those individuals with handicaps, and 60 percent of these individuals are receiving a substandard education. There are no accurate national statistics related to postsecondary enrollment, but it is perceived to be miniscule due to prohibitive costs and the lack of supportive services at most institutions.

These examples of exclusion and unequal participation indicate that much remains to be accomplished in the area of equalizing opportunity and that there is a tremendous loss of talent because of our neglect.

IV. RECOMMENDATIONS

A. Federal Involvement

There are three basic rationales for federal responsibility in assisting disadvantaged individuals in achieving a postsecondary education. *The Second Newman Report: National Policy and Higher Education* reports two of these federal responsibilities:

The responsibility to overcome inequities facing specific individuals and groups.

The responsibility to support research, development, and other "strategic interventions" necessary for effective service which no other level of government can make.

Thirdly, it is a federal responsibility to invest in human capital development.

(1) To overcome inequities facing specific individuals and groups

The President's Message on Education to the Congress delivered in March, 1970 underscored two primary beliefs: (1) the 1970's is "an era when concern for the quality of American life requires that we organize our programs and our policies in ways that enhance that quality and open opportunities for all." (2) "Equal educational opportunity, which has long been a goal, must now become a reality for every young person in the United States, whatever his economic circumstances."

Equal educational opportunity does not exist as long as there are identifiable groups excluded from participation in postsecondary education—whether this exclusion is based on the accident of one's birth, one's social status, or physical characteristics.

The example cited above firmly support the fact that equality of educational opportunity at the postsecondary level is not a reality in American life. Furthermore, with occupational selection, training, and certification carried out by schools, and by postsecondary institutions in particular, life chances cannot be equal until opportunities for advanced education are equal.

Recommendation No. 1.—The federal government should promote equal access and expand the options available to disadvantaged individuals in pursuing a postsecondary education.

(2) To support strategic intervention necessary for effective service which no other level of government can make.

A widely accepted role of the federal government in education is to promote the search for more effective pedagogical methodologies and to explore alternatives related to new areas of national concern. There is a widespread need for improved approaches to education for the disadvantaged in general and, in particular, at the secondary and postsecondary levels.

An area of increasing concern and even alarm is the recent recognition of the need for development education at the postsecondary level. The majority of traditional postsecondary institutions are accustomed to admitting students who have previously demonstrated that they could basically educate themselves. Now, major and prestigious universities are reporting that large percentages of their entering freshmen class need basic preparation courses, and most institutions are totally unprepared to offer preparatory courses (unless they have participated in a special program or have an institutional mission of educating the disadvantaged).

The need for improved methodologies in this area is particularly crucial for two major reasons:

(a) The steady increase of "new students" into financially distressed institutions which are seeking tuition dollars, and

(b) The difficulty institutions encounter in attempting to respond to the needs of these students.

For the most part faculty members outside schools of education are basically oriented toward their academic discipline and have limited training in techniques and methods related to educating the disadvantaged. Therefore, even where institutions wish to accommodate this growing number of inadequately prepared students, they have limited capability in addressing the problem.

Additionally, most states have been slow or unable to provide leadership in developing and supporting effective approaches to the education of the disadvantaged. Only fourteen states have legislation targeted to assist the disadvantaged at any level; only six states have any academic or counseling support program for disadvantaged students at the postsecondary level. Less than twenty percent of federal ESEA Title I funds have been targeted by states to serve secondary school age students.

Administratively, it would be difficult for states to offer comprehensive service considering the structure of most states' education systems—where K–12 and postsecondary are administered separately and most often are competing for scarce education resources. Local governments, particularly where there are large concentrations of low income families, are already suffering from municipal overburden, and education must compete with other services.

Private funding of educational programs for the disadvantaged, as presented in the Task Force survey, is sketchy at best and unevenly distributed throughout the country. Funding appears to be related to the geographic proximity of the funding source, evidenced by a heavy concentration of programs in the Northeast, and no or insignificant funding in the Southeast and Southwest where there are large numbers of low income and minority individuals. Additonally, programs are primarily oriented to one particular ethnic group, or a particular profession, rather than comprehensive in scope. It appears that private support in this area peaked in the late 60's and early 70's but is currently declining and will be seriously curtailed as foundations cut back expenditures due to economic losses.

In short, from our analysis of possible funding sources it is quite clear that at this time strategic federal intervention is the only viable alternative. There is a real need for federal initiative and leadership in sponsoring 1) the development of improved practices and models, 2) the dissemination of effective approaches now in operation and new models as they are validated, 3) the development of highly competent personnel, and 4) technical assistance to assist in the implementation of improved practices and curriculum.

Recommendation No. 2.—The federal government should play a coordinating role and provide the necessary leadership for increased effective service for the disadvantaged.

(3) To invest in human capital development.

It is in the national interest to invest wisely in the development of human resources. Examples of the considerable waste of potential are cited above. The fundamental issue is can we as a nation afford to underinvest? The national costs of educational neglect where an inadequate education is defined as attainment of less than a high school education were presented to the Select Committee on Equal Educational Opportunity as follows:

(a) The failure to attain a minimum of high school completion among the population of males 25–34 years of age in 1960 was estimated to cost the nation:

$237 billion in income over the lifetime of these men.

$71 billion in foregone government revenues of which about $47 billion would have been added to the Federal Treasury and $24 billion to the coffers of state and local governments.

(b) In contrast, the probable cost of having provided a minimum of high school completion for this group of men was estimated to be about $40 billion.

Thus, the sacrifice in national income from inadequate education among 25 to 34 year old males was about $200 billion greater than the investment required to alleviate this condition.

Each dollar of social investment for this purpose would have generated about $6 of national income over the lifetime of this group of men.

The government revenues generated by this investment would have exceeded government expenditures by over $30 billion.

(c) Welfare expenditures attributable to inadequate education are estimated to be about $3 billion each year and are probably increasing over time.

(d) The cost to the nation of crime that is related to inadequate education appears to be about $3 billion a year and rising.

Clearly, it seems wise to invest in education considering the potential gains in revenue and declines in other governmental expenditures. And the federal government compared to state and local governments is in the best position to make this investment, first, because it is for the good of the national interest, and secondly, because federal taxation is by far the most progressive form of revenue collection (an important consideration when equalization or redistribution is a goal).

Noting a historic underinvestment and subsequent uneven results of programs for the disadvantaged, Levin, *et al.*, conclude that: "This failure is due in substantial measure to an unwillingness to acknowledge the depth of deprivation to which the individual child has been subjected and an inability to focus upon him the massive resources necessary to make up the difference."

To invest wisely in human resource development in relation to assisting disadvantaged individuals in achieving a postsecondary education requires increased federal expenditures both for student financial aid and supportive services at the secondary and postsecondary levels.

The National Commission on the Financing of Postsecondary Education, recognizing that student financial aid, though essential, by itself is insufficient as a wise investment or to equalize opportunity, has concluded:

"Student opportunity means that necessary academic assistance, counseling, and other supportive services should be made available to those who require them. It is only when opportunity for achievement is assured that the objectives of access and choice have real meaning. Although equal opportunity certainly does not mean that all individuals will or should attain the same level of achievement, it does mean that the enrolling institutions must help students to realize their full potential."

Recommendation No. 3.—The Federal Government should invest wisely in developing the full potential of disadvantaged citizens by providing adequate supportive services in assisting them in achieving the highest educational attainment possible.

B. Proposed Delivery System

In determining recommendations for an effective delivery system the Task Force has sought information and input from many individuals and/or groups offering various perspectives. One of these groups included project directors who offered considerable insight into and concern for the structure of the present federal efforts in dealing with the disadvantaged. These concerns are discussed at length in Section E and center around (a) funding criteria, (b) technical assistance, (c) eligibility requirements, (d) project and program evaluation, and (e) general program matters. These comments are summarized as follows:

Funding

Need for services far exceeds available resources. Appropriations have not increased in relation to inflation which has resulted in a cut-back in both service and personnel salaries.

With the appropriations level remaining constant, there have been few new projects and it has been relatively difficult to expand or meet inflationary costs in currently funded projects and/or to consider new projects.

Multi-year funding was strongly supported and recommended. Competitive funding of proposals on a year-to-year basis creates many problems such as: (1) lack of institutional commitment, (2) lack of sharing of effective program practices among project directors, and (3) job insecurity for project personnel, which, coupled with inadequate or nonexistent raises, creates a considerable turnover in project staff.

Technical Assistance

There is a need for assistance in determining appropriate diagnostic instruments that can effectively measure individual student strengths and weaknesses, and there is a need for developing means of assessing motivation problems and gains.

Staff training and development were identified as areas where technical assistance was needed.

Dissemination of effective practices and curricula was requested along with the increased exchange of ideas and efforts among projects.

Information related to other federal programs to assist the disadvantaged was requested so that there could be greater coordination at the local level.

Eligibility Requirements

Income eligibility requirements are unrealistically low and need to be adjusted to account for differences in the cost of living in different locations and in accordance with inflation.

There is a need for greater flexibility to accommodate differences in philosophies of education and postures related to who should be served within the "disadvantaged category" and what that service should be.

Evaluation

There are no funds allowed for projects to cover the cost of self-evaluation and the follow-up of students. If project directors are to be accountable for and able to monitor their own projects, they need funds for these activities.

Because Talent Search and Upward Bound have been evaluated primarily on the basis of college placements, in an effort to respond to this pressure project staff have been unable to devote adequate time or resources to crucial activities such as dropout prevention counseling and career counseling. Nor have they had an opportunity to respond appropriately to the specific needs of their particular geographic location.

General Program Matters

In many cases intervention at the tenth grade (UB) is too late; there is a need for earlier intervention during junior high school in order to counteract tracking practices and to achieve the goal of promoting options.

There is a need to strengthen the support services of UB during the academic year to prevent regression of participants and to facilitate year round gains.

The specific title "Special Services for Disadvantaged" was felt to be stigmatizing both to potential clients and to faculty who knew students participated in that program.

It is extremely difficult to have an effective program if there is no institutional commitment to the education of the disadvantaged. The lack of integration or acceptance of the program by some sponsoring postsecondary institutions was evidenced by such factors as an isolated location on campus, low status of the project director, and lack of commitment of institutional resources.

In addition the Task Force met with program evaluators, regional and national administrators, students and concerned citizens, and experts in the field. The literature, including recent special commission and other task force reports, has been explored. Digesting and analyzing this along with the many suggestions, and recognizing the variations of needs and resources from location to location, the Task Force has proposed a delivery system designed to increase *flexibility, diversity, coordination,* and *effectiveness.*

The four pronged approach to assisting disadvantaged individuals in achieving a postsecondary education recommended by the Task Force includes:

(1) Strategic interventions in preparation for postsecondary education designed (a) to prevent or reduce the loss of talent, (b) to provide comprehensive supportive services, and (c) to maximize options;

(2) Support for postsecondary institutions to develop effective service-learning centers designed to coordinate and involve institutional resources in efforts to assist disadvantaged and low-achieving students to compete with dignity and complete postsecondary education;

(3) The provision of national coordination and technical assistance; and

(4) The establishment of staff development and training programs.

The first two components are modifications of current program models (UB, TS, SS, EOCs) and are based on efforts to retain valuable services offered by these programs. However, there are a number of different features and emphases intended to encourage the development of project designs in response to the unique set of needs and resources in a particular location.

Recommendation No. 4.—It is recommended that in the implementation of these programs the federal government not prescribe a standard model, but encourage a diversity of models related to the assessed needs and resources in that area, and that each program should be evaluated according to its own proposed objectives.

The other two compenents are essentially new proposals responding to requests for technical assistance and staff and program development articulated by project directors and institutions pioneering in new areas and working in relative isolation from each each other and other efforts. The intention of these proposals is to increase program effectiveness by establishing an ongoing mechanism for collaborative learning, sharing, experimentation, and development of program models, curricula, practices, evaluation, and increased staff competencies.

POSTSECONDARY PREPARATION PROGRAMS

In preparing disadvantaged individuals for postsecondary education there are three major national goals:

(a) To prevent or reduce the loss of talent;

(b) To provide comprehensive supportive services; and

(c) To maximize available options.

Institutions and agencies will be encouraged to submit proposals which either provide a comprehensive model for meeting the needs of a given locality or to determine a specific focus relevant to that location. This more flexible approach has the advantage of permitting applicants to seek diversity in project structure consistent with the resources available and the objectives to be reached.

COMPREHENSIVE PROGRAMS

Recommendation No. 5.—It is recommended that potential sponsors develop a comprehensive approach to providing service to disadvantaged individuals in assisting them in realizing their options for postsecondary education. These programs could be called Comprehensive Educational Opportunity Programs.

An increasingly recognized viable approach to effectively serving the needs of disadvantaged individuals is one of coordinating services so that the complex needs of the total human being are addressed. For example, comprehensive early childhood education programs are being found most effective because of their effort to coordinate all of the social services available to the child so that development is multi-facted and addresses the many needs of the individual.

In developing programs and proposals it is recommended that potential sponsors conduct a careful analysis of the needs and resources in that area and design strategic interventions related to solving the problem in that area.

Programs could include some, possibly all, and probably additions to the functions outlined below:

(1) Information dissemination.

(2) Academic Development—tutoring, reading and math clinics, and generation of new curricula.

(3) Counseling—career choice, secondary curriculum choice, postsecondary choice, personal/motivational and technical, financial aid, application, etc.

(4) Expanded experience—residential summer program, work/intern experience, and new environmental exposure.

(5) Development of support systems—family/parent support, peer support, support from secondary personnel, support from community—new role models, support from postsecondary personnel, and support from other social services agencies.

(6) Coordination with other programs—Examples—Neighborhood Youth Corps, Special food services programs, Dropout prevention programs, High School Equivalecy and GED programs, Vocational Education programs, Teacher Corps, ESAA special programs, Right-To-Read, and Cooperative Education Programs.

SPECIAL FOCUS PROGRAMS

Recommendation No. 6.—It is recommended that postsecondary preparation programs also include special focus programs which are oriented to solving crucial problems in a particular location and based on an assessment of needs and resources in that area.

In assessing the needs and resources in an area, one particular problem could be identified as most acute and programs could be developed which focus primarily on solving this problem. For example, in one location there may be an alarming dropout rate so that large numbers of disadvantaged individuals never complete secondary school. A special focus program could be designed to impact on this problem.

Another problem which may be crucial is the effect related to the inadequacy of the practice of tracking by secondary schools which has served to cause the time of career choice, in effect, to occur much earlier. Entirely too many capable, yet disadvantaged youngsters, are placed in a non-college-prep track by overburdened counselors who have little opportunity to provide the kind of individual and sustained attention that they require. Many of these students have low expectations of themselves or succumb to peer pressure to choose the easy way out—the general curriculum—being totally unaware of the consequences of that action. It is recognized that if an individual does not receive the appropriate preparatory curriculum in high school, his options regarding career and postsecondary choice are severely limited. A special focus program could be designed to intervene strategically during the junior high school age years (12–14) in order to assist disadvantaged youth in making wise curriculum choices, to provide supportive assistance, and to impact on tracking procedures within the schools.

Examples of other special focus programs might be those designed to respond to problems of severe rural isolation, language problems, problems related to particular geographic locations, ethnic groups, handicapped groups, etc. Additionally, special focus programs could be developed around particular subject matter areas such as the sciences, mathematics, engineering, and others related to preparation for careers where disadvantaged and minority individuals have historically been underrepresented.

Recommendation No. 7.—Funding and Evaluation Criteria—It is recommended that programs and proposals in both comprehensive and special focus *areas be evaluated and funding be determined according to the following criteria:*

(1) Adequacy of needs and resources assessment;

(2) Merit of the proposed program and relationship of objectives to needs and resources;

(3) Feasibility of proposed methods and practices;

(4) Coordination with other resources and programs;

(5) Evaluation methodology and relationship to objectives; and

(6) Commitment of institutional resources.

Programs would be monitored and evaluated according to how well the sponsor had met proposed objectives. Model projects, representing the various types of sponsors and programs, would be identified and disseminated elsewhere.

POSTSECONDARY SUPPORT

Recommendation No. 8.—It is recommended that postsecondary support be for the development or expansion of an effective service-learning program or center designed to supplement, coordinate, and involve institutional resources in efforts to assist disadvantaged and underachieving students to compete with dignity and complete postsecondary education.

In reviewing current programs at the postsecondary level the Task Force found that both the name "Special Services for the Disadvantaged" and the often isolated nature and even location of the program mitigated against the effectiveness of the program regardless of the quality of the service provided. Too frequently, eligible and needy students were either hesitant to seek services, or participants were stigmatized by their involvement. Consequently, it was deemed important to move away from the insular nature, or "minority center" concept, and to expand both the services and the clientele.

Concurrently, this Fall it has been recognized and repeatedly reported that many traditional students are having difficulties in postsecondary education, and there is a general bewilderment regarding solutions. In addition, postsecondary institutions are more interested than ever in retaining students, as tuition dollars become increasingly valuable to meet institutional expenses.

It is important to recognize that this service-learning center should engage in activities appropriate to the needs of the clientele, which is to repeat that no standard model is being proposed. For example, some institutions may propose to offer a wide range of supportive services, while others may concentrate on a few specific functions. Proposed models could vary greatly depending on such variables as the composition of the student body, services that are already available, the number of students in need of services, and available institutional resources. Some programs could be basically supplementary or seek to expand present services; other programs could concentrate on generating new curricula and courses for various departments within the institution, while other programs could initiate or introduce new services for on increasing enrollment of nontraditional consumers of postsecondary education.

For example, a service-learning center or program might offer some, possibly all, and probably additional services to those identified below:

(1) Early identification and recruitment of admitted, or enrolled students who need supportive services.

(2) Assistance with admission, financial aid, course selection and program changes, registration, etc.

(3) Extensive orientation to campus and college life; perhaps the establishment of a big brother-sister system.

(4) Counseling related to choice of major-minor, career choice, graduate and professional school options, personal matters; i.e. emotional adjustments, handling of money, problems back home, etc., completion of forms--financial aid, graduate school fellowship, etc., and

(5) Diagnostic services—use of diagnostic tests and other methods to determine strengths and weaknesses.

(6) Academic Development—tutoring—peer, group, institutional, etc.; study skills, reading clinic, language labs, media center, lab sessions related to courses, modular review sessions, individualized programmed instruction, and regular course offerings (credit optional to instittuions).

It is important that this center involve institutional resources in the program as well as serve as a resource to the institution. Administrators and faculty should be involved in program development and implementation, and such involvement could include released time and be recognized in promotion and tenure considerations.

The center could assist faculty with instructional difficulties they might be having and assist the various departments in developing preparatory curricula. It could serve as a laboratory for the training of future teachers, counselors, and reading specialists. It would be an excellent assignment for appropriate work-study students as tutors, teachers and counselors aids, lab assistants, clerical staff, etc. The overall function would be to mobilize and coordinate appropriate resources from throughout the postsecondary institution and general geographical location to focus on creatively and effectively serving the needs of its clientele.

Recommendation No. 9.—It is recommended that the federal government adopt a policy of cost-sharing with postsecondary institutions in supporting service-learning centers or programs.

Recommendation No. 10.—On preparing and presenting a proposal, the institution must propose a plan for incremental assumption of the cost of the program within a designated period of time.

Recommendation No. 11.—Cost-sharing and incremental assumption of costs could be adjusted according to the number or percentage of disadvantaged students enrolled at the institution and documentation of an institution's inability to absorb such costs.

The argument can be made that postsecondary institutions should have a vested interest in supporting service-learning centers or programs. This argument has been strengthened recently by the increased recognition of the need for supportive services due to the increased influx of "new students" into postsecondary education and the general under-preparation of even traditional students. In addition, postsecondary institutions are more interested than ever in retaining students, as tuition dollars become increasingly valuable as student populations are shrinking.

In this way the federal government will be involved in a capacity building role, and will have new resources to fund additional projects. Furthermore, it is anticipated that this commitment and gradual transfer to "hard money" will help alleviate the problems of job insecurity and the low, non-institutional status of project directors.

Additionally, the cost sharing feature would enable the federal government to expand its resources to include a larger number of students than it is now presently serving. It would also strengthen an institutional-federal partnership in the process of educating the disadvantaged.

The extreme importance of institutional commitment was stressed in a meeting of a subgroup of Task Force members with representatives of the Research Triangle Institute who have been involved in conducting a major evaluation of Special Services Programs. In a supplementary report, they conclude that: "Successful programs are seldom, if ever, found in a setting without an obvious, real and pervasive institutional commitment to disadvantaged students. Critical evidence of such commitment include: a history of concern for such students predating special federal support; the recognition of special and useful benefits such students bring to a campus; the absence of an over-riding elitism that causes faculty and staff to rank students in terms of socio-economic status of their parents (and associated variables, such as admissions test scores); the knowledge, support and respect of the president and the faculty for the objectives of the program, and personal involvement to assure that they are realized; and building of permanence beyond that which year-to-year federal support provides by assigning regular line-item funds and permanent staff to program activities or to new adjuncts to programs."

Evaluation and Funding Criteria

Recommendation No. 12.—It is recommended that proposals and programs be evaluated and funding be determined according to the following criteria:

(1) Adequacy of needs and resource assessment;
(2) Merit of the proposed program and relationship of objectives to needs and resources;
(3) Feasibility of proposed methods and practices;
(4) Evaluation methodology and relationship to objectives;
(5) Involvement and coordination of institutional resources; and
(6) Proposed cost-sharing and incremental assumption plan.

NATIONAL COORDINATION AND TECHNICAL ASSISTANCE

Recommendation No. 13.—It is crucial that the federal government provide leadership in establishing a national mechanism of coordination, development, and technical assistance to postsecondary institutions in meeting the needs of disadvantaged and other new consumers of postsecondary education.

New trends in postsecondary education seem to be clear—there is a shrinkage of traditional student populations and an increase of new learners. Postsecondary education in this country is rapidly moving from serving a historically elitist function toward providing universal postsecondary education.

K. Patricia Cross, who has written extensively about new students with prophetic insight, has succintly posed our national predicament:

"This change in philosophy about the purpose of college and who shall attend will probably have more impact on educational methods and procedures than anything that has ever happened in higher education."

"Thousands upon thousands of students who would never before have considered college are on our doorsteps, and we don't know how-or if—we can do anything to help them develop their talents to become happy and productive citizens. We face the task of gearing up to serve a new clientele."

It is critical, at this junction in the history of postsecondary education, for there to be national leadership in assisting institutions to make this transition as smoothly as possible.

There are a number of individuals and institutions that have accepted the challenge, and there are pockets of experience and know-how throughout the country. Notably, project directors of student support programs serve as a considerable resource pool in this new venture. Historically black postsecondary institutions, and more recently created institutions serving other minority populations, have considerable experience and have developed effective teaching methods. Individuals involved in open admissions programs are developing supportive services. Some community and junior colleges have developed outstanding programs.

Many proprietary institutions, in order to survive, have had to develop accountable and relevant approaches to teaching students who are new to traditional postsecondary education. Individuals involved in adult and community education have developed curricula and methods in response to new demands.

Whereas there are a number of efforts underway, there is no mechanism to learn from these efforts or to share effective methods and curricula.

In addition to these programs in the field there are a number of efforts underway in the Department of Health, Education, and Welfare which share a similar concern. The Fund for the Improvement of Postsecondary Education has established as a priority National Project II, *Alternatives to the Revolving Door: Effective Learning for Low-Achieving Students.* The Office of Postsecondary Education of OPBE is planning a study of planned variations in order to generate new models that can be implemented as controlled experiments in an effort to determine effective practices and models. The Division of Student Support and Special Program staff continues to provide leadership and a cross-fertilization of ideas and practices as they meet with various groups and regional administrators throughout the country. These are all important contributions and should be of great value in improving services. However, given the responsibilities and work loads of the staffs involved, and the limited possibility for additional staff at the national or regional level, it is impossible at present to provide the coordination ond technical assistance that is urgently needed and has been requested consistently of the Task Force.

This proposal is based on the need and frustration often expressed in postsecondary education circles as institutions seek newer and innovative methods of attempting to serve a changing student universe. Furthermore, it is based on the recognition that in this time of transition in postsecondary education, there is an urgent need for national leadership.

The specific mechanism for providing national coordination and technical assistance could take several forms:

(1) The establishment of a national center within the federal government;

(2) The establishment of a national center outside government through contracting with an appropriate agency or institution; or

(3) The contracting out of different functions to appropriate institutions in conjunction with their program grants (similar to the TACTICS model for Developing Institutions).

Recommendation No. 14.—Whatever the structure of the mechanism, it is of paramount importance that representative project directors and other consumers of its services participate in the design and development and have a continual voice in making policy decisions.

The functions outlined below have been identiefid by project personnel and staff, institutional administrators, and others in postsecondary circles concerned with improving services for the disadvantaged and articulating the need for national leadership in this time of transition in postsecondary education.

(1) Identify and assess innovative and effective programs, practices, and curricula designed to assist new students in achieving a postsecondary education.

(2) Develop strategies designed to disseminate this information.

(3) Develop and implement training programs of staff for more effective teaching and management.

(4) Assist in providing technical assistance in improving programs.

(5) Assist in the development of effective evaluation systems of programs.

(6) Serve to locate and provide communication linkages among the various federal programs designed to serve the clientele.

(7) Serve as a clearinghouse of current ideas and programs though the publication of a newsletter.

(8) Provide a forum for individuals to collaborate and to debate issues related to the improvement of services.

(9) Engage in experimentation with developing new curricula and program models.

(10) Sponsor the development of effective and appropriate diagnostic measurements of academic skills and motivation.

(11) Develop functional and relevant counseling materials related to the disadvantaged and job or career opportunities following postsecondary education.

(12) Other. . . . .

STAFF DEVELOPMENT AND TRAINING

Recommendation No. 15.—The federal government should sponsor activities *designed to increase the effectiveness of programs through the development and training of staff in two critical areas:*

(1) *Postsecondary personnel (faculty and administrators), and*

(2) *Counselors in secondary and junior high schools*

In order to develop competencies and knowledge related specifically to the needs of disadvantaged clientele.

No program or project can be effective without highly competent staff. Most postsecondary institutions have limited history or experience in educating disadvantaged or underachieving students. Many faculty members are concerned that these students succeed, but they do not have an acquaintance with educational methods or approaches that could make their teaching more effective. Additionally, there are faculty and project staff who can relate very well to the needs of disadvantaged students but do not have technical expertise in, for example, program management, diagnostic prescriptive methods, evaluation design and procedures, testing and measurement, etc.

Because in many cases the disadvantaged, minorities, underachievers, and others are new consumers of postsecondary education, institutions have not had time to develop effective curricula and teaching practices, and there are few individuals who have been trained specifically to cope with the special problems of these individuals.

There is little expertise in this field outside of institutions which have historically served this clientele or outside of special services programs.

It seems ironic that when there is an oversupply of postsecondary faculty, there is a shortage of skilled individuals who can effectively design and implement programs for postsecondary education's new consumers. ,

Corresponding to this predicament at the postsecondary level is a frequent lack of attention to disadvantaged individuals by public school counselors.

While secondary and junior high counseling has progressed considerably during the past few years, there still persists an ignorance of the specific needs and resources available for disadvantaged students. Too often counseling and guidance professional programs focus on middle-class college oriented youth, and graduates of this program would be unequipped to assist disadvantaged youth regardless of their best intentions. Often counselors who have not been sensitized to the problems and needs of poor and minority youth are responsible for tracking these individuals into various high school curricula and their biases and low expectations for these students influence their decisions.

In addition to this lack of specific training related to the needs of disadvantaged students, many counselors have impossible workloads and cannot adequately serve the needs of all of the students. Often school policies place priorities on traditional college oriented students, and the future options for disadvantaged students are overlooked or categorically limited. The lack of appropriate materials and current manpower projections contribute to the difficulty of counselors adequately serving their clients and to the resultant problem of first generation college students pursuing careers where there are few job opportunities.

It should be recognized that in many instances the disadvantaged student has a greater need for counseling services and support, because he may not have family support or be able to relate to successful role models. It is extremely unfortunate that too often those who need the services most are overlooked, misplaced, or misunderstood.

Staff development and training in these two critical areas would be achieved in the following ways:

(1) The awarding of special purpose fellowships.

(2) The development of special purpose summer institutes around specific areas of competencies such as: management by objectives, testing and measurement, differentiated learning styles, diagnostic prescriptive teaching, bilingual education, postsecondary options, etc. Each of these institutes would have an additional special focus on the problems and needs of disadvantaged students.

(3) The inclusion of in-service training programs in project objectives and budgets so that staff development and training would be an ongoing process of program implementation.

(4) Provisions for staff development and training to be a function of the national center concept proposed above which would sponsor training programs at a central or regional location, and provide staff development and management assistance as requested by participating institutions.

The Task Force welcomed the occasion to address many of the vital issues relating to the role of the federal government in assisting the disadvantaged in achieving postsecondary education. It is recognized that time and staff limitations have caused us to be necessarily brief in regard to the myriad complexities affecting this extremely important endeavor. Yet it is our belief that the salient issues of federal involvement and the creation of effective and timely systems have been surfaced sufficiently to direct recommendations for substantive legislative strategies.

TABLE I.—TYPE OF GRANTEE FUNDED, PROGRAM YEAR 1973-74

	Secondary school	Public 2-year post-secondary institution	Public 4-year post-secondary institution	Private 2-year post-secondary institution	Private 4-year post-secondary institution	Post secondary vocational/technical institute	Prop. institute	Public Agency	Private agency	Professional/school association	Other	Total
Talent search	0	8	28	3	12	0	0	10	51	0	2	(114)
Upward bound	5	46	206	5	134	0	3	2	7	0	8	(416)
Special services	0	71	158	16	63	9	0	0	5	0	0	(322)
Total	5	125	392	24	209	9	3	12	63	0	10	(852)

TABLE 2.—TALENT SEARCH

	Fiscal year—					Fiscal year [1]		
	1966	1967	1968	1969	1970	1971	1972	1973
Funds requested (thousands)	$7,723	$10,908	$14,771	$18,500	$14,647	$11,884	$21,288	$17,834
Obligations (thousands)	$2,000	$2,492	[2] $3,884	$3,876	$5,000	$5,000	$6,000	$6,000
Proposals received	130	176	226	254	192	(3)	223	234
Projects funded	42	50	72	66	84	90	[4] 166	117
Students served	[5] 50,000	[5] 62,500	[5] 97,500	[5] 96,960	[5] 125,000	125,000	125,400	[5] 125,400
Average cost per student	[5] $40	[5] $40	[5] $40	[5] $40	[5] $40	$40	$48	$48
Average cost per project	$47,619	$49,840	$53,944	$58,727	$59,524	$55,556	$36,145	$51,282

[1] Program regionalized Jan. 1, 1972.

[2] Amount available $3.9 million due to $100,000 savings requested by administration.

[3] Not available.

[4] 67 veterans' projects counted in both "Talent Search" and "Upward Bound" this year only.

[5] Estimated. Limited staff prevented data collection prior to fiscal year 1971. Fiscal year 1973 data not available until program year closes June 30, 1974.

TABLE 3.—UPWARD BOUND

	1965	1966	1967	1968	1969	1970	1971 [1]	1972 [1]	1973 [1]
Funds requested (thousands)	NA	NA	NA	NA	NA	$37,188	$50,000	$73,377	$49,227
Program funds [2] (thousands)	[3] $2,400	[3] $24,900	[3] $28,200	[3] $31,600	$30,600	$28,300	$28,500	[4] $33,600	$38,331
Proposals received	36	292	348	395	445	424	500	895	497
Projects funded	[3] 17	[3] 218	[3] 249	[3] 285	300	292	302	[5] 378	416
Students served	[3] 2,061	[3] 20,333	[3] 22,440	[3] 25,368	25,740	27,346	28,142	[6] 33,809	[6 7] 27,900
Average cost per project	$141,176	$114,220	$113,253	$110,877	$102,000	$96,917	$94,370	$88,888	$92,141
Average cost per student	[3] $1,164	[3] $1,225	[3] $1,257	[3] $1,246	$1,189	$1,035	$1,013	$994	[6] $1,374

[1] Program regionalized Jan. 1, 1972.

[2] Excludes administrative funds.

[3] Prior to fiscal year 1969 program was under OEO auspices. Data on program funds, number of projects, and students served secured from Greenleigh report.

[4] $1.4 million to right to read.

[5] 67 veterans' projects counted in both "Upward Bound" and "Talent Search" this year only.

[6] The 20-percent matching of Federal funds was eliminated by Public Law 92-318, June 23, 1972. Grants for fiscal year 1972 had already been negotiated. The increased cost per student served and reduced number of students reflects the implementation of full Federal funding.

[7] An additional 25,000 veterans will receive outreach and counseling services only. They are not included in the total students served by "Upward Bound" to avoid gross distortion of cost per student.

NA = not available.

TABLE 4.—SPECIAL SERVICES

	1970	1971 [1]	1972 [1]	1973
Funds requested (thousands)	$90,000	$63,321	$40,123	$44,086
Obligations (thousands)	$10,000	$15,000	[2] $14,175	$22,998
Proposals received	424	NA	420	485
Projects funded	121	190	208	322
Students served	30,000	51,500	62,400	[3] 100,000
Average cost per student	$333	$291	$227	[3] $230
Average cost per project	$82,644	$78,947	$68,149	$71,422

[1] Program regionalized Jan. 1, 1972.

[2] $825,000 to right to read.

[3] Estimated. Program year closes June 30, 1974.

Mr. O'HARA. Now, Ms. Routh, if you would take your place at the witness table.

In addition, as witnesses today, we have asked Dr. James B. Hamilton, who is assistant provost for special programs at Michigan State University to favor us with his thoughts on these programs, and also Mr. Eugene D. Ellis, who is director of the National Coordinating Council for Educational Opportunity. And, I think it might be useful if each of the witnesses would come forward at this time and then present their testimony in the order in which I gave them—first, Ms. Routh and then Dr. Hamilton, and then Mr. Ellis, and then we can question—the committee members can direct their questions to one or another of the witnesses.

We understand Mr. Arnold Mitchem is also present and might at the conclusions of the statements come forward and be available also for questioning, and then we can perhaps get some interchange among the witnesses and the committee members. That might be more useful than the traditional format.

Ms. Routh, we would like very much to hear from you.

STATEMENT OF DOROTHY K. ROUTH, LEADERSHIP DEVELOPMENT PROGRAM

Ms. ROUTH. Mr. Chairman, it is an honor to be invited to testify before you this morning as you deliberate over H.R. 3471, and in particular subpart A-4—special programs for veterans and for students from disadvantaged backgrounds. It is also, however, a tremendous responsibility to attempt to communicate the many concerns and suggestions I have recently encountered in meeting with over 1,000 individuals involved with TRIO programs. We talk of accountability in education, well, believe me, I know what that term means this morning.

I speak to you today from the perspective of having been involved for over 10 years in development of educational programs designed to open up opportunity for the disadvantaged, from the perspective of my own research and as a special consultant to the U.S. Office of Education, for whom I directed the Task Force on the Disadvantaged and Post-secondary Education from September 1974 to February 1975.

The task force, chaired by Dr. Leonard Spearman, director of the division of student support and special programs, was composed of 14 governmental officials serving in various programmatic and policymaking capacities, and 19 nongovernmental individuals representing various regional, ethnic, and institutional concerns and interests.

The task force focused on achieving the following broad objectives:

1. To define the problems related to disadvantaged citizens achieving a postsecondary education.
2. To review Federal efforts—in particular, Talent Search, Upward Bound, and Special Services—and other efforts to assist disadvantaged citizens in achieving a postsecondary education.
3. To determine policy options and recommendations for future Federal involvement.

Our inquiry involved a review of the legislative history and accomplishments of existing programs; participation in the meetings of project directors in each of the 10 HEW regions; site visits to selected projects, agencies, and institutions across the country; meetings with current and previous evaluators of the programs; and interviews with students, university administrators, governmental agency representatives, and representatives of nongovernmental educational agencies.

The task force actively encouraged interested persons acting collectively or individually to submit in writing their comments regarding the future of these programs. The response to this request was overwhelming. The more than 350 pages of thoughtful comments, self-examination and suggestions which we published in our final report is indicative of the interest and concern throughout the country regarding these programs.

Additionally, in December a draft decision paper was reviewed by over 100 participants at a national work conference, who represented project directors and staff, regional and national office of educational personnel, and other individuals and experts representing various regional, ethnic, and institutional concerns and interests.

A summary report entitled "Recommendations for New Delivery Systems," incorporated the valuable input and suggestions of these participants and their clients and constituencies, and thus the recommendations reflect the collective thought of many individuals and groups.

This summary report is the introductory chapter of our more than 500 page total report which includes: (1) a survey of the needs and inequities of disadvantaged individuals, and (2) background papers on Federal responsibility, legal questions, a survey of State supported programs and privately funded secondary and postsecondary special programs, and an inventory of other Federal programs serving the disadvantaged.

We also included the national work conference decision paper and list of participants and a large section of regional input which concludes the volume.

It is my understanding that the Commissioner of Education stated in his testimony, before this committee Tuesday, April 8, that although the task force recommendations are currently being reviewed by his office that his staff had shared this comprehensive report with your staff. You may wish to include appropriate sections of this report as important supplementary material to these hearings.

I would like to commend the chairman and this committee for recognizing the continuing significance and uniqueness of the TRIO programs, and for affording them this special day of hearings separate from the many complex issues involved in student financial aid.

While I strongly endorse an increased support of student financial aid, I would maintain that without a corresponding support of Special Services the open door will serve as a revolving door. A sincere intent to open up opportunity could in actuality serve to provide one more link in a long chain of failure, and perhaps, even that final binding link that completes the circle of defeat.

Recognizing this dilemma, the National Commission on the Financing of Postsecondary Education emphasized that student opportunity means that necessary academic assistance, counseling and other supportive services should be made available to those who require them. It is only when opportunity for achievement is assured that the objectives of access and choice have real meaning.

It is my opinion that the time is ripe for Congress to look seriously at special programs and their extreme significance, and to carefully consider the total picture of need, resources, and service. It is of importance to recognize that each of the special programs was introduced into law at a different time, and some in different agencies.

Both Upward Bound and Talent Search began in separate agencies. and were designed to assist students from low-income backgrounds in enrolling in postsecondary education. Special services for disadvantaged students came into existence when it was discovered that students already in postsecondary institutions needed supportive services. Educational opportunity centers were based on a State model and added with little apparent thought as to how they might relate to the other programs. Most amendments to these programs throughout the past decade have related to changes in the eligibility of sponsoring institutions and agencies, adjustments of dollar amounts here and there, and the addition of new populations as they were recognized—I might add, without corresponding additional appropriations.

At best there seems to be general confusion regarding these programs, and I strongly urge the committee to seek means of clarifying their legislative intent and of providing the most comprehensive and effective service possible, for the need, here, is urgent.

A subgroup of the task force focused on need and inequities and I would like to relate briefly an overall picture of what available research tells us:

1. Socioeconomic status—Research relating low socioeconomic status and educational attainment provides evidence that only one out of every two youngsters from a low-income background will graduate from high school. Of the most talented of that group—those in the upper quartile as measured by middle-class oriented instruments—only one of every two will ever attend college. Of that same upper quartile of high school graduates, only one in five will graduate from college.

2. Minority status—In 1970, minorities constituted 16.8 percent of the U.S. population, but only 10.6 percent of postsecondary undergraduate enrollment.

Of minorities enrolled in postsecondary institutions, only about one-fourth are enrolled in the upper division. Many minority students in community colleges are in terminal occupational programs.

In graduate and professional schools minority enrollment is disproportionately low—comprising only 5.8 percent of the total enrollment.

It is reported that our country is only educating 40 percent of those individuals with handicaps, and 60 percent of these individuals are receiving a substandard education. There are no accurate national statistics related to postsecondary enrollment for this group, but it is perceived to be miniscule due to prohibitive costs and the lack of supportive services at most institutions.

Certainly, equal educational opportunity cannot exist as long as there are identifiable groups effectively excluded from participation in postsecondary education based on the accident of one's birth, social status, or physical characteristics. Life changes cannot be equal until opportunities for advanced education are equal. Much remains to be accomplished if we are concerned about the tremendous loss of talent because of our neglect.

In addition to discussing need, the task force identified three major reasons for Federal involvement in this area.

First, to overcome inequities facing specific individuals and groups; second, to support development, research, and other strategic interventions necessary for effective service which no other level of government can make; and third, to invest in human capital development.

I will be glad to elaborate on these further; however, for the sake of brevity, let me move on to a presentation of an overview of our findings and recommendations.

As referred to earlier, we met with over 1,000 individuals actively working with these programs. Five major themes seemed to emerge as general concerns.

As you might anticipate, funding was probably the most significant concern. Annual funding of projects has presented numerous barriers to effective project planning and implementation. The competitive funding of proposals annually creates a lack of institutional commitment of resources since one is never sure how long the program will operate on campus. Many project directors are reluctant to share ideas and practices knowing that projects must compete annually for funds.

It has been strongly recommended that funds be committed for at least 3 years.

These concerns have been compounded by appropriations levels remaining the same. With inflation, no new appropriations means a reduction of present service, that programs cannot be expanded to provide for a more efficient response to new needs, and that few new projects can be developed and supported. Funding concerns create corresponding personnel problems: Nonexistent raises, noncompetitive salaries, insecurity regarding one's status at the institution, and subsequently considerable staff turnover.

Additionally, need for services exceeds available resources. There are over 5,000 postsecondary institutions, yet only 331 special services projects. Talent search has a potential population of over 5 million, and serves only 112,000. Upward bound services approximately 32,000 out of a potential group of 2½ million individuals between 14 and 17 who meet the low-income criteria.

Eligibility requirements—Who should the programs serve? How should disadvantaged be defined? Income eligibility requirements have been reported to be unrealistically low, particularly in urban areas, and it has been urged that they be adjusted to account for differences in the cost of living in different locations and in accordance with inflation. There is an apparent need for flexiblty to accommodate differences in philosophies of education and postures related to who should be served, and what that service should be.

Evaluation was also discussed. There are insufficient funds for projects to cover the cost of self-evaluation, particularly to follow students after they leave the project and thus programs are vulnerable in efforts to document their successes. Since Talent Search and Upward Bound tend to be evaluated on the basis of college placement and retention, in an effort to respond to this pressure project staff have been unable to devote adequate time or resources to crucial activities such as dropout prevention, counseling, and career counseling. Nor have they had an opportunity to respond appropriately to the specific needs of their particular geographic location.

I might point out that there are 22 regional administrators of these programs for 879 projects.

The Office of Education has insufficient staff to effectively monitor programs and most importantly to offer technical assistance to projects. There are several other general program matters of great importance. Training and development of project staff are particularly lacking. The dissemination of effective practices and curricula is needed together with an increased exchange of ideas and efforts. Greater coordination of related Federal programs is essential to provide comprehensive service. Effective and realistic tests to measure individual student strengths and weaknesse, including motivation, need to be developed.

GENERAL PROGRAM MATTERS

In many cases intervention at the 10th grade, which is predominantly the case for Upward Bound, is too late; there is a need for earlier intervention during junior high school in order to counteract tracking practices and to achieve the goal of promoting options.

There is a need to strengthen the support services of Upward Bound during the academic year to prevent regression of participants and to facilitate year-round gains.

The specific title "Special Services for Disadvantaged" was felt to be stigmatizing both to potential clients and to faculty who knew students participating in that program.

It is extremely difficult to have an effective program if there is no institutional commitment to the education of the disadvantaged. The lack of integration of acceptance of the program by some sponsoring postsecondary institutions was evidenced by such factors as an isolated location on campus, sometimes portable buildings, low status of the project director, and lack of commitment of institutional resources.

SUGGESTIONS FOR IMPROVED DELIVERY OF SERVICE

The task force report recommends a four-pronged approach to assist disadvantaged individuals in achieving a postsecondary education.

The first two components are modifications of current program models and are based on efforts to retain valuable services offered by these programs. However, there are a number of different features and emphases intended to encourage the development of project designs in response to the unique set of needs and resources in a particular location.

The other two components are essentially new proposals responding to requests for technical assistance and staff and program development articulated by project directors and institutions pioneering in new areas and working in relative isolation from each other and other efforts. The intention of these proposals is to increase program effectiveness by establishing an ongoing mechanism for collaborative learning, sharing, experimentation, and the development of program models, curricula, practices, evaluation, and increased staff competencies.

The first area is postsecondary preparation programs. There is a need to develop a more comprehensive approach to providing service to clients.

Second, special focus programs should also be developed which are oriented to solving crucial problems in a particular location and based on an assessment of needs and resources in that area. For example, these programs could be related to specific areas such as age, certain careers, geographical situations, et cetera.

POSTSECONDARY PROGRAMS

Federal postsecondary support should be for the development or expansion of an effective service-learning program or center designed to supplement, coordinate, and involve institutional resources in assisting individuals having difficulties in pursuing postsecondary education.

There is a need to develop a policy of cost sharing, where feasible, with postsecondary institutions in supporting these programs recognizing the institutional benefits in retaining students. Furthermore, I would recommend that the Federal portion of such support be utilized to assure that those students with the greatest need not be neglected as services become available to a larger population.

In preparing and presenting a proposal, institutions should propose a plan for the incremental assumption of the cost of the program within a designated period of time.

Third, national coordination and technical assistance. It is crucial that the Federal Government provide leadership in establishing a national mechanism of coordination, development, and technical assistance to programs seeking to prepare and support individuals in achieving a postsecondary education.

A national center could be developed within or outside Government, but whatever the structure, it is extremely important that representative project directors and other consumers of its services participate in its design and development and have a continual voice in making policy decisions.

There is a need for staff development and training. The Federal Government should sponsor activities designed to increase the effectiveness of programs through the development and training of staff in two critical areas: (1) Postsecondary faculty specializing in development skill areas; and (2) secondary counselors, focusing on serving disadvantaged populations.

I have here, because of time constraints, been able to provide only a brief overview of these four components. I would be glad to elaborate on the rationales for these suggestions, discuss how I think they might work together, present what I consider to be appropriate evaluation methods, and respond to any questions you may have.

In closing my testimony I would like to take this occasion to express my appreciation to the many individuals who assisted in the task force effort: (1) To the Office of Education, and in particular, Dr. Leonard H. O. Spearman, for sponsoring this effort; (2) to the task force members for their unremunerated participation and their wisdom; (3) to my staff, Marty Jacobs, Randy Lockett, and Donna Wilson; and (4) to the project staffs, many of whom are former clients of these programs, who have given considerable thought and energy over the years, and who have spoken sincerely and with considerable enthusiasm, though quite frankly, skeptical that they would be heard.

Mr. Chairman, and members of the committee, as I make my statement here before you today, I am intensely aware that there are over 300.000 individuals currently being served by this program, and over 3,000 staff members engaged in working with these individuals in 879 different institutions and agencies throughout the country.

I also recognize that a significant percentage of these individuals are deeply concerned about the future of these programs, and it is my responsibility to try to communicate to you their concerns, suggestions, and deep sense of commitment to the development of human potential.

I would urge that these concerns and suggestions be seriously considered, for they represent extensive dialog and debate, and a perhaps uniquely honest effort of individuals from many areas to participate in suggesting policy.

Finally, I would like to thank you for focusing on these programs and would welcome the opportunity to discuss further any of these issues, and would be glad to cooperate with your staff in developing legislation related to these concerns and recommendations.

Mr. O'HARA. Thank you, very much, Ms. Routh. I assure you that we will take up your offer to assist us in improving the provisions of our bill with respect to these subjects and we will be calling on others, as well, to assist us in that effort.

Our next witness is going to be Dr. James B. Hamilton, who is assistant provost for special programs at Michigan State University. Dr. Hamilton?

STATEMENT OF DR. JAMES B. HAMILTON, ASSISTANT PROVOST FOR SPECIAL PROGRAMS MICHIGAN STATE UNIVERSITY

Dr. HAMILTON. My name is James B. Hamilton, and I am appearing before the subcommittee as assistant provost and associate professor of chemistry and director of special programs at Michigan State University. I am also president of the Michigan Council of Educational Opportunity Programs and a member of the Mid-America Association of Educational Opportunity Program Personnel. My comments are my own and are based upon my utilization of knowledge gleaned from available literature on the subject: communication and contact with other professionals in the field via meetings, conferences, workshops, et cetera; experiences as an evaluator of proposals and site evaluator for the Office of Education in region V: experience at the national level as a participant in a National Work Conference on Special Programs for the Disadvantaged and Postsecondary Education held recently in Washington, D.C.; and a personal experimental base resulting from administrative work in the area for the past several years.

I appear before this subcommittee to comment upon H.R. 3471 and those provisions contained within subpart 4, entitled "Special Programs for Veterans and Students from Disadvantaged Backgrounds." The specific areas on which I wish to comment are as follows: (1) Target populations to be served by the four special programs—Talent Search, Upward Bound, Special Services for Disadvantaged Students, and Educational Opportunity Centers; (2) nature of the delivery systems to be utilized; and (3) the area of evaluation as it relates to these programs.

Taking target populations first, historically the four special programs have been designed to facilitiate access to postsecondary education for those individuals from low-income families who, for a variety of reasons have not had such access. While retaining this focus the Congress through specific legislation has recognized that there are other groups besides the low-income who have had limited access.

As a result, veterans, the physically handicapped, and the student with limited English-speaking ability have been included in the target programs. The present legislation expands the commitment to disadvantaged veterans by rendering them eligible for participation in any one of the special programs, irrespective of their income background.

This recognition by the Congress that there are at least two categories of disadvantaged persons, namely, the educationally disadvantaged and the economically disadvantaged, needs to be translated into legislation in a manner which has not yet occurred. On the contrary, the approach has been to modify the target populations during different legislative cycles and not to address the more generic problem. That problem is simply that there continue to be large numbers of disadvantaged youth who could benefit from participation in postsecondary education for whom access is limited.

Availability of financial resources is only one of the factors limiting access to educational opportunities. A second important factor is the less than adequate preparation for postsecondary education obtained by individuals during their secondary school experiences. Mulka and Sheerin in a study sponsored by the National Science Foundation, call specific attention to this in a recent report in which they note that:

> * * * A student's financial and minority status is not the major barrier particularly since the implementation of the Higher Education Act of 1965 and its subsequent amendments. The lack of academic competencies is. The inadequacy of precollege education still prevents many Americans from developing their potential and limits their educational experiences.

Within many postsecondary educational institutions there is an emerging and serious concern with the degree of underpreparedness of entering freshmen in such areas as English composition and communication skills, reading skills, and mathematical skills. At my own institution, the enrollments in remedial courses have undergone drastic increases over the past several years. In a very real sense these students, too, are educationally disadvantaged by a less than adequate precollege educational experience.

If Trio programs are to have a continuing involvement with the low-income student in upward bound and special services for example, either the income criteria should be raised or the maximum stipend allowable should be increased. Increasingly, Upward Bound programs must compete with other Federal and State programs offering a greater compensation to the low-income student. Many of these students prefer accepting employment when available during the summer rather than participation in upward bound. The reason is simple—they feel they need the money more than they need what upward bound can offer.

Within special service programs based in postsecondary institutions, the unusual circumstance which occurs is the presence of disadvantaged students who definitely require the services of the program but who do not satisfy current income guidelines. This problem would be dealt with too by broadening population, by noting as follows:

I would refer to specific recommendations:

One, that the target population of special programs be modified to include: (a.) Low-income students—the economically disadvantaged students; (*b.*) academically underprepared students or the educationally disadvantaged; and (*c.*) special groups such as the veterans, the physically handicapped, the student with limited English-speaking ability, and the more mature student/adult.

Two, that the maximum stipend allowable be increased from $30 per month to $0 per month of full-time participants in upward bound.

Three, students enrolled in postsecondary educational institutions should be eligible for participation based upon documentation of academic need or underpreparedness irrespective of income background up to a level of 20 percent of program participants where no institutional funds are used in the program.

Acceptance of recommendation No. 1 and its translation into legislation should have the effect of eliminating the need to continuously modify the target population of special programs. It would have the further effect, in the case of special services programs for the disadvantaged, or stimulating greater involvement with these programs by postsecondary educational institutions.

Each of the other recommendations would have the impact of stimulating greater accessibility to special programs for students who require such services.

The retention of an emphasis on diversity and flexibility within special programs is also essential. In my opinion, no program should be required to focus upon one population or another. This should be dictated by local, state, or regional conditions. For example, it is very appropriate that talent search programs were one of the first with veterans as their primary concern. In addition, there are a few talent search and an even larger number of upward bound programs which have high participation by black students, native American students, Asian American, and students with limited English-speaking ability; Mexican Americans, Chicanos, Puerto Ricans, Cubans, et cetera.

This is as it should be for only by encouraging such diversity in focus can the needs of the various populations be met in the different environments.

In major colleges and universities having special services, it is somewhat less common to find programs focusing on one group or another but there are examples. I am referring here specificially to the programs for the student enrolled in postsecondary institutions. At my own institution the special services population is multiethnic and includes a component serving the physically handicapped. At the University of California at Berkeley, the special services programs is designed exclusively for the handicapped. A similar situation exists at Wright State University in Ohio. At Cleveland State University the special services program serves both handicapped students and students from disadvantaged backgrounds.

I would conclude with two additional recommendations with respect to target populations: (1) That veterans be included in the four special programs as a special focus group along with the handicapped, the student with limited English-speaking ability and the more mature adult learner; and (2) That the name of subpart 4 of H.R. 3471 be changed from Special Services for Veterans and Students From Disadvantaged Backgrounds, to Special Programs for Students From Disadvantaged Backgrounds.

My recommendation for the inclusion of veterans as a special focus group is consistent with the legislative history of these programs. The inclusion of veterans as a primary target population to the possible exclusion of low-income students and students from other special focus groups is quite inconsistent with that history. By including veterans in such a manner there is less of a danger that veterans will have higher expectation of the four special programs than these programs are able to deliver. For example, by increasing the maximum ceiling for authorized funding from $100 million to $125 million, there is clearly no guarantee that such funds will ever be appropriated.

On the contrary, the history of funding of these programs has consistently been well below the maximum ceiling.

In addition, by increasing the target population by a possible maximum of 2 million veterans who are currently not using available aid, and increasing the appropriation by only $25 million, the possible benefit to each veteran could in the extreme case, be as low as $12.5 per veteran/year—a negligibly small expenditure on a problem of this magnitude. More realistically, it is doubtful that more than 5 percent—a maximum of 100,000/year—of the veteran population would be affected during any given year. The only program through which even these numbers could be affected would be talent search, the very program which is already providing them with such services.

I would like to go on and speak further about the level of funding. As I indicated, the bill recommends an increase of $25 million in the authorized ceiling for special programs. As indicated earlier, however, an increase in authorization does not mandate an increase in appropriation. For several years, funding of special programs has remained well below the ceiling. Individual programs have not received increases to cover even inflation except at the expenses of other institutions which continue to need the activity.

As we expand the target population without substantial increases in funding. I must admit to their need of that population and yet doubt the ability of the programs to provide the needed services. Current statistics require that I conclude the programs will have only marginal impact on either of the target populations at levels of funding proposed.

I cannot help but wonder even more as I consider the implications of the term "postsecondary education" in this context. How many institutions are we talking about, I ask, and at what levels of funding. Presently, over 4,200 institutions participate in student financial aid programs, and only about 331 special services programs are currently funded at $23 million. I recommend a maximum ceiling of $250 million for special programs for the disadvantaged, in spite of the low probability that during the next fiscal year such funds will be available. Such a step would further document the real need. At a later time the goal of addressing the need might well be within our grasp.

The second area which I would like to address relates to delivery systems for precollege programs for the disadvantaged.

H.R. 3471 proposes no changes in the delivery systems of special programs. To me this is very surprising. There have been significant changes in the educational and social communities since these programs first emerged. As these changes have occurred to me they dictate a need for change in the nature of delivery systems in much the same manner as change in the definition of the target population have been required. It is worthwhile to discuss some of the changes and their implications.

I begin with precollege programs. In 1966, the Congress through specific legislation recognized that many students were being denied higher education opportunities as a consequence of their socioeconomic status and their related inadequate preparation for higher education upon completion of secondary programs. Today thousands of students irrespective of socioeconomic background are graduating from high school underprepared in various skills areas such as reading, composition, arithmetic, mathematics, and science. The times require a far more comprehensive approach than was taken in earlier legislation.

At least three independent reports have recognized the need for change and so recommended. These have included (1) a Carnegie Commission report entitled "A Chance to Learn: An Action Agenda for Equal Education Opportunity," (2) "An Evaluation of Policy Related Research on Postsecondary Education for Disadvantaged—Vol. 2 of Technical Report to the National Science Foundation," and (3) "A summary Report; Recommendations for New Delivery Systems" which was the result of a task force on the disadvantaged and postsecondary education in which I had the pleasure to participate.

Each one of these reports recommended changes in precollege programs for disadvantaged students. I wish to call the subcommittee's attention to the recommendations within the summary report of the National Work Conference. My reasons for doing so are twofold.

First, as a participant in a work conference which considered the draft document I observed firsthand the emergency of the final document and its recommendations.

As a result I recognize that the final document and its recommendations reflect the thinking of individual project directors from every region in the country as well as that of other individuals from the postsecondary educational community who are concerned with programs for the disadvantaged. Second, the recommendations embody two features which I strongly believe it is essential to maintain within special programs well into the future.

The first recommendation to which I would refer is as follows:

One, it is recommended that potential sponsors develop a comprehensive approach to providing services to disadvantaged individuals in assisting them in realizing their options for postsecondary educaton. These programs could be called Comprehensive Educational Opportunity Programs.

I strongly support that approach proposed in this recommendation and I do so based upon my own experiences in precollege programs both within special programs and elsewhere. In the past precollege programs have too frequently assumed static, unchanging structures which failed to deal with the total needs of disadvantaged students. I would cite as examples two programs with which I have had a direct experience and I would refer to them as program A and program B.

PROGRAM A

This program selects its students from local high schools. There is no participation by instructors from these schools. The focus of the program is to provide motivational and skills-development experiences which will prepare participants for postsecondary education. The program operates most of the year but during a 4- to 6-week period during the summer, participants reside on the college campus where they participate in the most intense of the two phases of the program. During the academic year the program provides followup services to participants at least on a weekly basis, and in some cases more frequently.

Tutorial, counseling, need assessment, instruction, and extracurricular educational enrichment, skills development in reading are the dominant activities in the program. The impact upon the participants is high and the program may be regarded as successful. On the other hand, the impact on high school is marginal or absent. The high school remains unchanged by any activities undertaken within the program.

The second program, program B, selects its students on a statewide basis. In addition, instructors of students in the high school become regular participants in the program during each of its phases. The objective of the program is to provide participants who have potential for study in the mathematical and physical sciences with motivational and skills-development experience which will prepare them for further study in these areas at the postsecondary level. A second goal is to upgrade the skills of high school instructors, in this case, mathematics.

This program also has an academic year phase and an intense summer residence program. A differences relative to program A is that both students and their mathematics instructors participate in summer programs on campus. During the academic year, the project director and staff who are instructors at the college actually participate in high school classroom instruction continuing activities planned during the summer phase.

The program is highly coordinated with the other departments on the campus during the summer. Instruction is handled in part by college instructors and the facilities of instructional units such as mathematics, chemistry, etc., are made available. This program is also successful in meeting its objective. To the extent that it involves instructors from the high school throughout the year, there is a far greater probability of positive impact on the school. The disadvantage is the limited involvement of instructors from only one discipline.

Program A above is, of course, an Upward Bound program while program B was a far more comprehensive program embodying many of the characteristics of Upward Bound by ultimately concerned with the total educational environment in which participants were involved.

The second recommendation in the precollege program area was as follows:

It is recommended that postsecondary preparation programs also include special-focus programs which are oriented to solving crucial problems in a particular location and based on an assessment of needs and resources in that area.

In the section on target populations, I have discussed the need to recognize that there are special groups of disadvantaged students who may not fit the category of economically disadvantaged [low-income] or the category of educationally disadvantaged or academically underprepared. In my view the needs of these individuals cannot be ignored by special programs and Congress in this bill and earlier legislation has recognized the need. The recommendation cited for special-focus programs provides the flexibility in delivery systems to accommodate that need.

I strongly support the consideration by this subcommittee of the translation of this recommendation into legislation.

The needs of the disadvantaged at the postsecondary level deserves much attention following a decade of impressive change in the numbers of disadvantaged students entering postsecondary institutions as a result of the four special programs and institutional recruitment efforts. But, what happens when they get there is crucial.

The Carnegie Commission, to which I have referred, makes a very strong plea for institutional commitment of resources to their admissions efforts:

All institutions should accept responsibility to serve the disadvantaged minorities at each of the levels at which they provide training; that every student accepted into a program requiring compensatory education receive the necessary commitment of resources to allow his engagement in an appropriate level of course work by the end of no more than 2 years.

Mulka and Sheerin call upon the Federal Government to insure the funding of developmental skills programs around the identified levels of competencies that are needed.

The task force document recommends such a design in the creation of effective service learning centers which can assist disadvantaged and underprepared students to compete with dignity and complete postsecondary education.

In essence these three recommendations from independent sources call for a redirection of delivery systems for students enrolled in postsecondary institutions. I support these recommendations and I again particularly strongly support the recommendation flowing from the task force for it clearly reflects a consideration of actual developments within the postsecondary community.

The past several years have seen the emergence of two new types of programs within postsecondary institutions learning resource centers (or student development centers) and special services (or education opportunity programs.)

In many instances there is direct coordination between these two programs when they are commonly present on a campus. There is usually one significant difference between them however—the learning resource center or student development center is institutionally supportd and a part of a regular academic unit, while the special services or educational opportunity program is federally supported on noncontinuing funds and is not a part of a regular academic unit.

It is essential that in the future these two programs be combined where both exist on the same campus.

What do these two types of programs do. At my own institution the learning resource center provides the following kinds of services:

One: It is a reference and audiovisual library where students use books or audio-visual materials to obtain information and enrichment in connection with general education courses in English, natural science, humanities, and social science.

Two: The center provides free tutoring services with an emphasis upon writing tutors.

Three: It offers assistance in the development of reading skills and houses two full-time reading specialists and a variety of reading machines and equipment, books, and kits designed to increase reading, writing, and comprehension skills.

Four: Provides short courses in study improvement involving effective listening, notetaking, study skills, and problem solving.

Our special services provides the following kinds of services:

One: Identification and selection of new program participants from the pool of new admits to the university.

Two: Operation of a special orientation program designed to facilitate actual enrollment of new adults in recommended academic programs.

Three: Providing a special meeting during the first week on campus between new students, selected faculty, special program staff, and returning special program students.

Four: Provides direct tutorial services to students enrolled in a variety of courses across the campus.

Five: Provides funds to selected departments for the development of departmentally based tutorial assistance programs—reading machines, et cetera.

Six: Coordinates with instructors in selected departments to directly monitor the academic progress of students and to provide faculty orientation to program goals.

Seven: Provides every student's academic adviser with up-to-date information on the instructional support services available to students.

Eight: Provides a multifaceted counseling program accessible to students in a regular course, on a one-to-one relationship in a counselor's office, in groups, and in the living environment.

Nine: Provides transportation of handicapped students to and from classes.

Ten: Coordinates with campus offices in the improvement of accessibility of campus ground and facilities to the handicapped.

From this comparison several features are clear. (1) There is a substantial overlap in the services provided by the two units; (2) special programs are more concerned with the development of the total student than is the learning center; (3) the efforts of the learning center are facilitated substantially by funds received—in part—from special programs; (4) special programs is more involved with other instructional units on the campus than is the learning center.

On the other hand, the learning center has the capability to provide large numbers of students needed academic services in skills development. A merger of these or the development of new comprehensive service learning centers would result in marked improvement in the ability of postsecondary institutions to meet the needs of disadvantaged students. Even with the focus upon merger and successful achievement care must be exercised to assure that special programs are not lost in the pressure to serve other students who need the service.

The final area in which I would like to briefly comment is the evaluation of programs for disadvantaged students.

Within postsecondary educational institutional there has not been any consistent attention given to the need for evaluation of programs funded externally. For those programs funded from the general fund budget such evaluation as occurs is based upon traditional outputs such as student credit hours and other variables which may be related to them. These data are gathered and used in a central management process for input into decisions effecting allocation of institutional resources.

Special programs—which are relatively new to postsecondary education and which are federally funded—are not regularly evaluated by the institution. Institutions give more attention via their business offices to proper expenditure of federal funds according to program guidelines and budgets. Evaluation is left to the funding agencies or to their representative on the campus in the person of a project director.

I find it most significant that the present legislation does not explicitly address the need for evaluation beyond the statement of general goals. In my opinion, more than this is needed. It may be, perhaps, expected that other units of Government will see to evaluation—units such as the Government Accounting Office at one level and the Office of Education at another. This may well be, but my concern for proper evaluation is at the level of a project director and his or her staff as well as at the level of a regional or national office. Some attention must be given to this within the proposed legislation.

I would only address two other areas concerning evaluation and the current proposed legislation:

(1) The national goal for special programs for disadvantaged students should be explicity stated within the legislation.

How many students from disadvantoged backgrounds are to have been affected by these programs during the period of June 30, 1976, and September 30, 1980? How many veterans? How many handicapped students? Where will ultimate responsibility for attainment of these goals reside?

These questsion are as relevant in the context of new legislation as they must be to an institution assuming responsibility for one or more of the special programs. There are clearly many other related questions the answers to which may be stated as national goals for special programs. But, my primary point is that these basic questions and their related answers would determine, to a significant degree, not only the form and purpose of evaluation but also the level at which these programs must be funded if the goals are to be achieved.

For me to dwell at any greater length on the need for evaluation and attention to it within this legislation would greatly extend my remarks. I shall end this section by indicating that within the State of Michigan and across the mid-America region, a number of workshops and conferences have addressed the need for evaluation within our programs.

Program managers and staff are giving this matter full attention and often independent of pressure from within their institutions. Attention to this matter in the current legislation and more clear indications of roles and responsibilities of sponsoring institutions for evaluation would have a very positive impact on the output of special programs and their relationships to the institutions.

In conclusion, Mr. Chairman, it has been a great pleasure and honor to have been invited to appear before this subcommittee. I most sincerely hope that these comments will prove useful to the members of the committee. I am prepared together with many others to assist in whatever manner you may suggest in the future.

Mr. O'Hara. Thank you very much, Dr. Hamilton, and I think we will be talking to you in the future, also.

I would like now to ask Mr. Eugene D. Ellis, who is director of the National Coordinating Council for Educational Opportunity to present his testimony.

STATEMENT OF EUGENE D. ELLIS, DIRECTOR OF THE NATIONAL COORDINATING COUNCIL FOR EDUCATIONAL OPPORTUNITY

Mr. Ellis. Mr. Chairman, thank you for giving me this opportunity to address this body. My remarks are based upon my experience as an administrator for the New York State Education Department; as the director of NCCEO and presently an instructor at the State University of New York in Albany.

I am concentrating my remarks to that section of H.R. 3471, which modifies the Trio programs to include veterans. More specifically, my remarks are concerned with subpart 4, pages 21–26.

The proposed thinking to include veterans into the Trio programs places emphasis on some valuable strengths inherent in the nature of this population.

(1) Since the average age of veterans entering college is approximately 22 to 23 years old, they may provide stability and maturity in programs, in contrast to the predominant population of these programs which is usually high school age students. Veterans should help reduce counseling needs resulting in possible staff reductions, and improved program quality at reduced cost.

(2) At the present time, there are funds available to veterans for tutorial, remedial, and academic course work in postsecondary institutions; however, many veterans have not had the opportunity to take advantage of these important resources. The primary reason has been lack of an organized delivery system.

(3) One of the most expensive aspects of an Upward Bound program is its' summer component, since during this phase of the program most students are housed and boarded at the host institutions. In addition to enabling program staff to maintain contract with students, the residential summer component has been helpful in aiding Upward Bound students to acquire independence and experience living away from home. Since veterans have been indpendent and have experienced living away from home, and since they can be expected to be highly motivated and able to attend classes without close supervision, they could very likely commute to the campus for summer classes as well as hold jobs off campus. This would also result in reduced program cost as well as provide a better simulation of the collegiate experience.

I am sure you have considered these strengths in your deliberations concerning H.R. 3471. However, there are other implications of adding veterans to the Trio programs that offset many of these gains. There is an assumption, at times implicit and at times explicit, that the existing Trio programs can be modified at no cost to the present population to serve veterans. This assumption is subject to serious question.

The first Trio program mentioned in the legislation is talent search. This program consists primarily of high school dropouts, or potential high school dropouts. These youngsters usually have a past history of underachievement, truancy, language problems—bilingual—cultural obstacles, or, in a few cases, are students whose education has been interrupted by pregnancy or military service. This program is primarily designed to serve younger students—late junior high, early high school—for whom early intervention is essential if education careers are going to be redirected. These students often come from minority groups who have the potential for postsecondary school training; however, due to family, financial, or social disadvantages, they may find regular attendance and school success difficult.

Throughout this document when I refer to minority groups, I am using that in the sense to include poor white and some of the traditional minority groups.

On the other hand, a returning veteran at 21 or 22 years of age will be emotionally and psychologically an adult; the only thing this person has in common with the traditional talent search student might be, in some instances, a low level of academic competence. This early intervention concept suggests that intervention must occur while there is the potential for change or malleability. As an individual grows older he may still be malleable, but he requires a much different kind of intervention strategy for comparable growth. Placing a veteran in a talent search program would be comparable to sending a high school student back to grade school to make up his educational deficiencies; it simply will not work. Both veterans and talent search students have academic deficiencies; however, the resolution of these deficiencies require separate and distinct methodologies.

The second of the Trio programs, the Upward Bound program, is a precollege preparatory program designed to generate the skills and motivation necessary for success in education beyond high school among young people from low income backgrounds with inadequate secondary school preparation.

An essential aspect of a successful Upward Bound project is its ability to effectively utilize a variety of resources in attempting to emphasize the total student, assessing his needs, strengths, and weaknesses. The program attempts to take advantage of collegiate, community, parental groups, and other sources that may be necessary to help these students. The Upward Bound student is usually a 10th or 11th grade high school student, for whom early intervention is an essential component, along with inputs of counselors, teachers, and community resources who work together with the Upward Bound program staff to encourage and assist the student to complete high school and seek postsecondary education.

The inclusion of veterans who are not enrolled in high school to students. The value of early intervention is lost, the value of correcting academic problems during the high school years is lost, and the value of an up-to-date record of the student's past performance and experiences is lost. Most veterans would be better off to obtain an equivalency diploma through the armed services rather than depend on Upward Bound services, since it appears that only a limited aspect of this program could possibly serve the needs of veterans. From a logistical sense, the summer program for bridge students, which is designed to assist students to make the transition from high school to college, could possibly meet the needs of veterans; however, even this aspect of the program is heavily dependent upon the previously mentioned intervention techniques.

The third component of the Trio programs, the special services program, is designed to help disadvantaged and physically handicapped students to remain in and complete college. These programs usually include counseling, tutoring, special course work, and other services designed to remedy the enrolled student's academic deficiencies.

These programs have, in the past, served to a modest extent some Vietnam era veterans. Furthermore, since the students served are college age, special service students are closer to the veterans in age and maturity than any other of the Trio populations. Some special services programs have had experience with veterans who have taken advantage of educational benefits to help offset some of the program's remedial cost.

However, college enrolled veterans in special services programs, as well as those who have been admitted through regular admissions are not having an easy time of it. The first year or so after a veteran returns from military duty his primary concern is in making the adjustment back to civilian life. Statistics show that approximately 20 to 25 percent of the total 7.3 million Vietnam era veterans experience adjustment problems. They have spent 2 or more years in the armed services when society, especially on the college campus, is primarily trying to forget the whole Vietnam affair. The veteran feels, whether justifiably or not, that many people want to forget him and the war.

He has had to fight harder for less benefits than his predecessors. Whether in combat, or not, he has not returned home to bands, flags, and the glory enjoyed by veterans of past wars. Today's 20 to 25 percent may have withdrawn, feel misused, forgotten, or else be in a constant state of rage and confusion.

In discussing Vietnam era veterans, we must consider very thoroughly his emotional/psychological makeup in comparison to the typical Trio or, for that matter, college student in general. He is older, and he has needs which are almost totally different from other students on the campus. A few veterans are now enrolled in special services programs because these programs may be comprised primarily of minority students; consequently, he may be functioning in the program due to a mutual similarity in cultural backgrounds. An extremely small number of nonminority veterans have taken advantage of these programs. Why?

The nonminority veterans feel that these programs were designed to respond to the needs of the sixties, to provide affirmative action, create equal opportunity, and help rectify some of the injustices originating out of poverty in America. Many feel, and I would agree, that asking Trio programs to expand their services to meet the needs of veterans is comparable to asking high schools 10 years ago to meet the needs of the economically and educationally disadvantaged.

The typical high school was not able to meet the needs of Trio students, not necessarily because they were insensitive or uncaring; they simply did not have the specialized skills necessary to meet the needs of atypical students and still do justice to the typical student. When I discussed with some Trio program staff the inclusion of veterans in their program, their response, with some reservations, was optimistic. However, since veterans present a multitude of unique problems, veterans groups and counselors expressed a much different viewpoint. They did not feel their needs could be met through the Trio framework.

It is the position of the National Coordinating Council for Educational Opportunity (NCCEO), that the mass inclusion of veterans into Trio programs would undermine the progress made in these programs and not be to the best interest of either group. For veterans it might initially appear as a glimmer of hope that would soon turn to disillusionment and more frustration. For the high school student, the result of H.R. 3471, in its present form, could emasculate the program and diminish those gains which have been made to date.

We recommend that a separate program be established for veterans under the auspices of the Federal Trio Office. This would enable veterans to take advantage of some Trio services and experiences, avoiding unnecessary duplication and expense. The needs of veterans are unique; they should be met through a separate set of guidelines designed to address those needs.

That special recruitment and orientation programs for veterans be included in these new guidelines, along with such special provisions as a consideration for the emancipated nature of veterans when determining economic eligibility.

The present Trio programs should be maintained in their present form and continue to serve their present population. However, career education should be built into these programs in order that higher education not be a cruel hoax for the disadvantaged.

That an emphasis be placed on staff training in Trio programs to assist program personnel with better delivery systems, increase their skills in accountability, and make increased impact on elementary, secondary, and postsecondary education.

Since the cost of Trio programs is less than many of the other programs for the disadvantaged in comparison to the outcomes, the new legislation should include an extensive evaluation component to assess the true impact, both economic and social, of these programs.

Lastly, the new educational opportunity centers play a significant role in meeting the educational needs of the disadvantaged; however, these centers should not be viewed as a possible replacement for Trio programs, since they are impersonal and thus are incapable of meeting the needs of the total student.

Again, thank you for this opportunity to address you this morning.

Mr. O'Hara. Thank you, very much.

I am now—I would like to ask Mr. Arnold Mitchem to come to the table and identify himself and then we will have the questioning of the witnesses by the subcommittee members.

Mr. Mitchem, could you tell the committee who you are and your organization?

Mr. Mitchem. Thank you, Mr. Chairman. I am Arnold Mitchem, director of the educational opportunity program, Marquette University, Milwaukee, Wis., also president of Mid-America Social Education Opportunity Program Personnel. I do not have a statement this morning, but I would like to express my general support for the concepts and recommendations that are embodied in the task force on the disadvantaged and postsecondary education.

I would like to express my deep appreciation for being invited to participate in this extremely important interchange this morning, and for the future, I would like to offer my services to your staff in any manner you deem appropriate.

Mr. O'Hara. Thank you, very much, Mr. Mitchem.

Mr. Ellis, the questions you raised about the inclusion of veterans—I don't believe that it is our thought in including veterans that the veterans needs would be met exactly by talent search, just as it now is, or that they would be met necessarily by upward bound, just as it now is, or even special services, just as it now is, although the veterans's needs might be, I think, met there closer than in other programs.

But, it seemed to us, we were disappointed in the very low percentage of veterans who were taking advantage of GI bill benefits and we felt if there had to be a way to reach veterans while they were still in the service, or immediately upon discharge from service to try to seek out those who are able to benefit from a further education and who might be interested in further education if properly motivated and to seek them out and to encourage them and to provide them with assistance and then provide them with assistance once you get them into school.

It was our hope that these kinds of programs could be made flexible. I think it was Dr. Hamilton who suggested that we ought to—and I believe Ms. Routh, as well—that we ought to have these programs flexible enough so that they can meet the needs of special target groups, and I think you mentioned geographic location, age, and a few other things. But, I think the veterans could be a special target group for whom special adaptions of these kinds of efforts could be arranged.

Now, Mr. Ellis, what is your reaction to that?

Mr. Ellis. It might be possible but again, to me, some of the intervention necessary require different approaches.

Mr. O'Hara. I think they clearly do require different approaches.

Mr. Ellis. There is a tremendous need for specialized recruiting technique and specialized orientation in kinds of programs for veterans and there is a tremendous number of veterans who aren't taking advantage of the services that are due them because of a lack of organized approach in dealing with them.

So, I think the spirit of that is fine. It is the logistics that I am concerned about.

Mr. O'Hara. Do any of the others have any comment on this?

Ms. Routh. Yes, I think with some of the proposed new models that veterans could benefit greatly from the services. The point that I would like to make is that the Congress has added new populations for several years because they have recognized needs in the country. But, I would like to point out that the appropriations levels have not corresponded with that need. I think we need to look at the fact that current service only covers really about from 7 to 8 percent of the population in this country coming from a low-income background—between 14 and 21—4 million individuals.

So, I think if we talk about adding new populations we have to also talk about adding new money.

Mr. O'Hara. Well, of course, it is a question of legislative strategy. I certainly didn't want to add veterans without adding a commensurate amount of money. And, I wouldn't be in favor of adding veterans if I thought that the appropriation weren't going to change because that would just dilute services that are already inadequate. But, I sort of had a feeling that if you could include veterans in and have really meaningful programs to bring veterans into postsecondary education and assist them in postsecondary education that that might enhance the changes for getting adequate appropriations.

That, on the whole, there is, I think, a more acute concern among the Congress generally about the special problems of veterans than there is—well, I don't want to oversell it. I mean, it isn't all that great, but I think there is more concern over the special problems of veterans than of any other group and I thought that might help bring adequate funding into the program. But, that might be wrong, too.

Dr. Hamilton, I am very interested in your proposition in effect, that the clientele of the program ought to be those who, for whatever reason, are academically unprepared and I think that is a group that I have been especially concerned with as I have gone through these hearings over the last couple of years. There has been that group of individuals who have, in effect, missed their chance. Who dropped out of high school or who received an inadequate secondary preparation and who did not then remain in school, but who went out and went into the Army or went into employment or something, and who now are beginning to feel that they made a mistake and that things could have been different. I want very much for them to have a chance to come back into education and make up some of what they have lost and I think they are a group that has a need. Maybe they don't meet income tests, perhaps. They probably don't because they have either been in the Army or working or doing something, and yet they do very much need special assistance in getting back into education and working their way through it.

Now, that would be one of the kinds of groups that you would be thinking of, I assume. Is that correct?

Dr. **Hamilton**. Yes, it would, Mr. Chairman. And the primary difficulty one has in trying to address the various needs is not to lose sight of the need of any of the groups and this of course ties back to resources. I made reference to the fact that I believe there are a number of groups and you have alluded to some of the more mature individuals who may be coming back from various areas which, in fact, includes veterans. But, on the other hand we have to recognize that some of the data I have seen suggests that we are hitting 6 percent of the poor—that group which through the sixties we knew was very poorly represented in higher education and it is extremely difficult for a project director or others concerned at higher levels to see how they can begin to move from one group to another realizing that we are doing only a very marginal job at best with that initial target population.

Mr. **O'Hara**. That is an excellent point. And, each of you have made it. but I want to tell you right now that I acknowledge that point. If we are going to continue to dribble along at the current funding levels, we aren't adequately serving the much smaller target group that we now have. And, so obviously when you talk about expanded target groups, that has got to also involve expanded funding because you can't stretch a tiny little program. You can't make it a big enough tent from a little patch of cloth. You can't make a big enough tent to cover all of those who are going to need the kind of help that a more flexible, broadened program could provide.

And, I guess I would have to take a serious look at my authorization levels if it is going to be that kind of program that we are talking about, and maybe put in some threshold type of funding for it. In other words, before you can fund something else, you must fund this one at least to a certain extent or linkage in the funding to the extent that you fund one thing; you must then provide a certain amount for this sort of program.

Those kinds of approaches we ought to look into.

Dr. HAMILTON. Yes, I would add this comment as well—that one can talk about and one may have a great difficulty defining terms here, and we do have difficulty frequently with clear definitions, but there is a disadvantaged veteran that has been the primary concern of this legislation. We do have at my own institution and I am sure at many others large numbers of veterans. We have over 2,000 veterans enrolled at the university.

From one perspective, in the sense that these are veterans that are using their benefits. They are not disadvantaged in that sense. There is another group of disadvantaged veterans who are not using these benefits. There are educationally disadvantaged veterans who do not have high school diplomas who can be encouraged to go the GED route, and otherwise upgrade their services. So, it seems to me there is a need to try to look at that disadvantaged aspect. I would be very concerned if all veterans qualified and all 2,000 came over to use our limited services and I had to say no. There would be a lot of no's and make a number of people unhappy.

Mr. O'HARA. I think you are right. The disadvantaged veteran is really the one we are talking about. There are other veterans who are perfectly prepared for postsecondary education and already motivated for it. All they need is a discharge certificate and they are going to fit in—not easily because they do have a readjustment problem, but nevertheless, quite easily and there is no need to include them in the target population. But, I am thinking of the veteran would be included among those who are disadvantaged as students in some way, if he had never been in the Army and there are a lot of them who have available to them what is without any question the best Federal student aid program of any student—the G.I. bill. One could complain of its inadequacy and indeed, I was one of those to very greatly increase the benefits under it last year, but whatever its inadequacies are, it is the best student aid program the Federal Government runs.

And, here they are. They have this entitlement and they aren't taking advantage of it. And, I think they have to be helped to take advantage of it.

I yield to the gentleman from Minnesota, the ranking minority member of the full committee.

Mr. QUIE. In listening to your testimony and the questions and answers—I have a question of Dr. Hamilton about the low-income factor.

Do you think that ought to be taken into consideration with veterans and include only the low-income veterans, or anyone who is academically disadvantaged?

Dr. HAMILTON. I think that poses an interesting kind of question, actually. One may look at the veteran, at his or her family background moving through the educational system and I am sure there are a number of veterans who are from disadvantaged backgrounds in terms of income, et cetera. If you look at their family—their childhood, their adolescence—as you look at the veteran coming into a university, utilizing benefits, it seems to me, for example, that a single, independent veteran who, even though from a disadvantaged family economically, is not going to be that disadvantaged.

For a 10-month period a veteran could accrue $2,700 and that is sufficient at least at our institution to make it. There would be a great difficulty in some of the private sectors and that student would be economically disadvantaged.

If you look at it at another level, one could say that the benefits being provided to the veteran are in fact being provided because they are and have been disadvantaged economicaly, vis-a-vis participation in military service over a period of time. Therefore, I would conclude by saying this: It might be easier to deal with the disadvantagement of a veteran from an educational standpoint as opposed to income criteria.

Mr. Quie. We have a deep concern about the veterans. Some of you have pointed out the reasons why. I think of another individual who has suffered a tremendous disadvantage and that is the person who has been in prison. There are a large number of young people who have been in prison which seems to me has harmed them.

Now, I recognize if they are sent to prison there is a likelihood they were guilty of something and that is the reason they went there.

But, what I have observed of the prison system is that they have been harmed more than they have been rehabilitated.

Have you any reaction to this program in any way being of benefit for those who have been in prison.

Dr. Hamilton. I think definitely it could be. I have not been extremely conscious of large numbers of individuals coming out of that experience coming into such a program. I know that we do at the institution have a number of individuals who have come out of that experience and are, in fact, enrolled in a university. I think generally there is not broad awareness of it and I think there are clear and obvious reasons why there would not be because of the potential discrimination and prejudicial environment to that individual.

But, I would have to pause and think a great deal more about inclusion in the current guidelines as a category. The individual coming out of a prison experience, I would comment that I don't believe that they are excluded any more than I believe the veterans are excluded even now. It is a question of emphasis rather than inclusion of exclusion.

Mr. Quie. I am going to ask Mr. Ellis about this because he mentioned some of the problems of including people out of high school. I have visited with individuals who have attended postsecondary institutions, probably more vocational, technical schools, than have attended college and have seen the tremendous change that has come over them because of that. Even though there is discrimination, that experience enabled them to speak freely of their past experience and the hope they have now.

But, in looking at the individual who was in prison, especially a young person that is in prison, you practically can say that the reason why they did wrong was that they were educationally disadvantaged. Some of have said that they would like to have the goal that as soon as they learn how to read well, they can leave prison. That would be the motivation to develop oneself academcially.

So, when you look at these Trio programs, we are talking about individuals who weren't reached so they could go to college, but because of their problem, I think, ended up in jail. I have heard it said many times that some of the brightest young people are in jail so it isn't a low IQ that leads to prison.

Ms. Routh?

Ms. ROUTH. Yes, I would like to speak to that. I have some personal knowledge from the Southeast. This target population was identified by the regional project directors in that region and I am familiar with a program that was developed through the Upward Bound program. There is a division of community services at Mercer University in Macon, Ga., that is serving the prisons in south Georgia as a part of all of these Trio programs. They have inmates who come to the campus—on a release program. They have extensive tutoring in the prisons—by students that are working in these programs, and the program has been going very successfully. They are expecting and hoping to be able to grant degrees to the prisonsers. And, I think this is an area that is very possible.

Mr. QUIE. Then I come, Mr. Ellis, to the comment you made. I think I understood on the first Trio program what you said about the veteran, and I think there will be others like that.

On the bottom of page 3 when you are talking about the second Trio program, you said the inclusion of veterans who are not enrolled in high school would neutralize the effectiveness of the programs benefits. Are you saying that benefits would be lost to the individual or the benefits of Upward Bound programs to others would be neutralized by the inclusion of the veterans.

Mr. ELLIS. No, I am referring to the veteran as an individual. In other words, there is not the history built up on him that there would be on the other students, and I think a long period of involvement and a substantial history of working with students, I have found in my experience in Upward Bound to be of tremendous help in working with the students.

In other words, one of my bigggest frustrations was that there was so much to the student that we were not aware of and were unable to deal with other aspects to the student in terms of setting up intervention techniques.

Mr. QUIE. So, what you are saying with the veteran is that you should have reached him while he was still in high school, rather than afterward.

Mr. ELLIS. Or, in fact, if you could begin to identify these people early enough, perhaps even during—or sometime before their release. Much like if you are going to—you were speaking earlier of prisoners—much in the same way of working with prisons. I think you have to begin to identify and begin to work with—well, it is helpful the earlier you can make contact with some of these specialized groups, the more effective and the more successful you are going to be. And, while as an administrator in New York State, I did work with prison populations and I did visit with inmates and discussed the inclusion of prisoners in HEOP programs, which is a program comparable in New York State to these programs.

Mr. QUIE. Are any of you familiar with the program that the military started, I think it was while McNamara was Secretary, for individuals who wanted to go into the military but who did not have the scholastic level to enable them to do so were then given remedial training so they could qualify for the military. I think they took about 100,000 to start with.

Ms. ROUTH. I have just heard of it. I don't know how successful it has been.

Mr. QUIE. Let me ask you then on priorities since there is always going to be a limitation on funds. Take the two categories, the ones who are now served coming out of high school and being served so that they would move immediately into post-secondary educational institutions, over against a larger group, the ones who have completed high school, but are educationally disadvantaged, which prohibits them from pursuing their course of study in postsecondary education. Where would you set the highest priority between the two, recognizing limitation of funds?

Ms. ROUTH. Mr. Quie, I would like to probably hedge on the question and explain, because the task force has had to deal with priorities all along. One of the things that I guess we are excited about is the idea of developing a service learning center in the institution, so that the Federal Government would share with the institution in developing a program that could be expanded to include all of the individuals on the campus that are in need of developmental skills.

One of the things that concerns us is that we recognize, and institutions are recognizing, that they have a number of both nontraditional and even traditional students who need developmental skills. In some cases they have developed learning centers that would respond to the needs of these students who would not be eligible and meet the income criteria of the special services program. So, in a number of cases you have a special services program on one corner of the campus, and the learning center on the other, with quite a bit of duplication of service, and oftentimes not a lot of coordination. I think what we are suggesting is that the Federal Government share in this effort so that we can develop a kind of comprehensive center—a really excellent service learning center at institutions that can serve all of the populations.

Mr. QUIE. Will this mean a change in the Trio program.

Ms. ROUTH. Yes, sir.

Mr. QUIE. Has the Trio program been a stimulator of programs funded by the institution or has the need been seen in both areas so they run pretty independent of each other?

Ms. ROUTH. I think that it would be hard to generalize on that issue. I think in many situations the Federal funds have been used to develop this kind of learning center. There are some other efforts. The Fund for the Improvement of Postsecondary Education, for example, is bringing together 12 different such institutional programs from all over the country to engage in year-long dialog to develop programs in this area. I think that what we are concerned about is that we don't have duplication.

In some areas, there has been duplication. In other areas, the special services has stimulated and really worked in developing these centers.

Mr. QUIE. Could I go back to my question, again, on the priorities.

Mr. O'HARA. Mr. Mitchem, did you have some comment?

Mr. MITCHEM. Yes. Mr. Quie, if I may say so that is a bloodied question in terms of Elizabethean England—you are damned if you do and damned if you don't—sort of thing.

Those of us who work in these programs have strong feelings about both groups. There are perhaps some advantages, some program and managerial advantages in working with those students who have been outside of secondary experience for a period of time, inasmuch as we often find that these people are more motivated because they have had some life experience and understand the importance of skills.

On the other hand, many of us feel quite strongly that because the present target population has been deprived and consequently has not developed certain kinds of aspiration levels, and certainly don't have some of the same kind of awarenesses as people from other segments of our society, it is important, therefore, that we do all that we can to keep them in what I describe as kind of a normal tract, which is to graduate from high school and move on to a postsecondary experience.

I guess, what I am saying is—much of what Ms. Routh said—is I am hedging and I would hate to have to make that kind of choice.

Mr. QUIE. That is one of the problems we get faced with. We get faced with that decision all the time. I was going along with what the chairman indicated. One of the ways to protect the group that we are serving now is that we don't serve a new group unless you fund at least to this level. When there is not enough money available to fully serve the group you are now serving, it would really be diluting the money to serve a larger number of that group and go onto the new one.

That is sort of the dilemma that I am faced with personally. But, would your answer then be that we wouldn't have to make that decision on priorities. It really then is the encouragement for the institutions to provide that service in a coordinated way with continuity so that they are really making the judgment on an individual basis. Would that be accurate to say that?

Ms. ROUTH. Yes, sir. I think that we should in some way guarantee with the Federal funds that the students with the greatest need not be neglected because sometimes they are very reticent to go into a center—this kind of a thing, but I think that it is very possible to really expand the services so that it can be open to a much greater number and there are models now where this is working very effectively.

Mr. QUIE. The last question I have, Dr. Hamilton. You mentioned evaluation and I am always frustrated when we work on legislation that extends or expands a program that has been in operation, when we don't have the kind of information that good evaluation provides for us. I wish you would elaborate a little bit on your recommendation to us—what to do or how to do that evaluation.

I have seen some evaluation which was an effort for those who were running the program to make themselves look good. Therefore, I have been kind of a bug on outside evaluation so there wouldn't be any self-interest involved.

I know others of you have mentioned evaluation. Could you react to that?

Dr. **Hamilton**. I think that evaluation ultimately has to be done at several levels of responsibility, including the national level, the regional level, and in this instance, the level of the institution. I think that the key to all of that is effective statement of measurable goals and objectives at the project level, and effective, efficient data collection related to those objectives within the programs.

If that is inefficient, then we will have a multiplying effect all the way through the system and that is one of my primary concerns and I think the concerns of a number of others that we get accountability within programs, get an adequate evaluation, models and design set up, data collection systems and information on these disseminated at the project director level.

Having done that, a program should still be evaluated. I think the institution has a role in the area of evaluation of programs which it has funds for from the Federal Government in the same way that institutions are required to carry through audits on funds which the institution receives. The audit shows that the dollars have been spent in the way that they were supposed to be spent, but I think a program audit, it this sense, is an evaluation at the institutional level—going into a regional or national office as a part of an evaluation process is also important.

It also puts the burden on the institution and not on the project director. Ultimately, the project director may be the one called upon to do it, but it then will have to flow through the system. That is extremely important. As I have listened to individuals from the regional office and the national office in various meetings and conferences and I have heard concern and seen the dialog between the project directors and the Office of Education—entirely to the exclusion of the institution.

I guess if I am making my point clearly, it should be at several levels and cannot be effective unless there are clear statements of goals and objectives at different levels.

Mr. **Quie**. Yes, Mr. Mitchem?

Mr. **Mitchem**. I would like to underscore Dr. Hamilton's remarks which I think is an extremely important part. Historically the institutions have not been made accountable for these programs and I think until they do, I think we are going to find that many programs aren't going to meet the expectations of Congress, the Office of Education, and those of us who have a vested interest in these programs.

Mr. **Quie**. We ought to be clear in our goals when we write the legislation.

Ms. **Routh**. I would just add one point. Also, I think if institutions are contributing to the cost of the program, perhaps there will be more attempts at evaluation.

Mr. **O'Hara**. That is a very good point. I would like to thank all of you, Ms. Routh, Dr. Hamilton, Mr. Ellis, Mr. Mitchem—for your assistance.

Let me make it clear—the task force report did not become available on any sort of usable basis until we were well along in the drafting process on this bill and we were right up against our self-imposed deadline for introducing the bill.

And, then, of course, it didn't become semi-officially available until much after the introduction of the bill and that is the reason why the work of the task force is not reflected in the bill. But, it has been our intention all along to take a more extensive look at that part of the bill and try to make it conform with the best recommendations we can get. So, that would be our intention as we go into mark-up.

Let me announce that the record of these hearings will be kept open until the end of this month for the submission of statements for inclusion in the record and those who wish to do so will be permitted to include statements. These hearings are concluded and the subcommittee will now stand in adjournment.

[Whereupon, the subcommittee adjourned at 11:40 a.m.]

[Mr. Mitchum subsequently filed the following paper:]

MID-AMERICA ASSOCIATION OF EDUCATIONAL,
OPPORTUNITY PROGRAM PERSONNEL,
Milwaukee, Wis., April 30, 1975.

MR. JAMES O'HARA,
Chairman, Subcommittee on Postsecondary Education, U.S. House of Representatives, Rayburn Office Building, Washington, D.C.

DEAR MR. O'HARA: We in the Association sincerely appreciated the opportunity you extended to us at the April 11th hearing of your Subcommittee, when you indicated your willingness to accept statements on Trio for inclusion in the Subcommittee record until April 30th. The enclosed position paper reflects the viewpoint of our membership on areas of critical concern to them both in regard to Trio generally and also in regard to specific aspects of the Trio section of HR 3471. We respectfully submit this paper for your consideration.

Sincerely,

CLARENCE SHELLEY, *Chairman,*
Committee on Legislation, Education and Fsical Concerns.
ARNOLD L. MITCHEM, *President.*

The authorizing legislation and existing guidelines for TRIO programs define the population to be served much too narrowly, particularly with regard to the present income criteria and client selection procedures. We need a working definition of eligible educational and economic disadvantagement which will enable us to assist students somewhat above the poverty level where there is clearly identified need. The legislation should be as specific as regarding the broad spectrum of TRIO clientele vis-a-vis black, Hispanic, native American, the physically handicapped, rural and urban poor, veterans and the variety of ethnic and cultural minorities. The work of the TRIO program staffs may eventually include evaluation, descriptions and targetting of schools and areas. The definition of the population should encompass the new learners, adult and continuing students and those who have had their education interrupted. Clearly, the highest priority should remain those persons in the lowest income categories as well as those with severe academic need. The income criteria is the most dependabl because it is significantly easier to measure without compromising any of the discrete categories. There do not exist, at this point, accurate differentiations between urban and rural poverty and educational need which strongly supports the use of the Bureau of Labor Statistics' poverty criteria.

Campus based TRIO programs need to be more efficiently integrated into the management and budgetary processes of the host instutions. Too often special services activities are managed and programmed along procedural lines which are contrary to those of the schools and agencies which sponsor them. There are, in some instances, differences in hiring practices, reporting and budgetary procedures, staffing and appointments and the like. Program sponsors that are not post-secondary institutions must be required to justify the reliability and feasibility of their educational orientation. Special Focus Programs can be used to address specific needs. There are fields of study, curricula and professions in which minorities are sorely unrepresented and underrepresented including engineering, medicine, architecture, the sciences and research. These activities must be based on sound pedagogical theory and academically oriented. We must insist on effective communication and cooperative interaction between Educational Opportunity Centers and local educational institutions and agencies. By and large Talent Search activity would be enhanced by incorporating them into Educational Opportunity Centers where improved delivery of service is assured. Similarly, Upward Bound activity could be jointly sponsored and supported by high schools and boards of education. After all, Upward Bound was the precursor of the alternative education concept which has gained much popularity and acceptance in recent years.

Authorization and funding levels of TRIO programs are clearly inadequate as they have always been. The target populations have expanded and identified and justified activities and needs have increased, but there has not been a concomitant increase in resources. Many programs have attempted to add career and vocational advising and job placement activities without staff or funds to do the necessary research and material development. As new consumers of these services are identified and included, additional funds are necessary. Most crucial, of course, is the need for the inclusion in the funding process are the factoring of inflationary, cost of living and market movement considerations.

The implications of institutional cost sharing procedures continue to be a matter of great concern to TRIO program staffs. The variety of possible arrangements are compounded by the differences in institutional resources, management procedures, budget systems, etc. Several positions are, however, clear. Cost sharing relates directly to institutional commitments to the national, regional and individual program goals. Grantees should be firmly committed to cost sharing before proposals are submitted and contracts approved.

Some of the activities which the grantee might assume are research, evaluation, testing, publications, staff development, career advising and some forms of technical assistance. Clearing the matching allocation provision is excellent because it indicates several important matters about the host institution and program and their relationship. It confirms the level and quality of the institution's or agency's commitment and cooperation. It increases program stability; it reinforces the program's academic credibility. Equally important, it can assist to qualify eligible staff for academic and administrative rank and committee appointments and the status and visibility attending thereto. We are, of course, aware that some grantees will be fearful of having to reallocate strained resources in areas where there are competing and conflicting priorities. The crucial variable in this regard remains feasible and manageable levels.

There has been considerable debate regionally and nationally as to the kinds of technical assistance needed among TRIO program staffs and how it should be developed and who should deliver it. The question has been raised as to the professional qualifications of directors who have an inordinate need for technical assistance. It should be remembered, however, that there have not been developed sophisticated training models for persons working with students who have need and profiles significantly different from the traditional consumers of post-secondary education. The need is for more funds to be assigned to grantees to allow them to develop and attend workshops, seminars and training sessions on the specific subjects of their interest. These are areas in which the national and regional offices could be of assistance. They could identify consultants and experts from the federal agencies and make them available. They could become repositories of, and clearing houses for, the masses of data and material and make suggestions as to their collection, dissemination and use. This would be an ideal use of the resources of the National Institute of Education.

Recently TRIO programs have been encouraged to understand and use the techniques administration and management by objectives. The extension of those techniques requires the development and acquisition of certain skills and knowledge in both research and evaluation. The legislation should provide funds for necessary research and the development of useful evaluation models.

Program staffs must be involved in this development and execution of such models to insure efficiency. To be of most value, these models should be formative as well as summative. It might be preferable to encourage host institutions and agencies to assume these responsibilities; creating and implementing TRIO research in phase with ongoing research and evaluation activity.

Closely related to the need for various kinds of technical assistance is the need for improved staff development and training. The range of need among the clientele of TRIO programs is broad—cognitive and affective—and the expertise and skill needs of the staffs are equally broad. Because of the funding process and the funding levels, there is rarely time and never funds available for these activities. The needs of the students obviously have priority over those of the staff—but they are not mutually exclusive.

Legislation should provide funds for these activities but not at the expense of essential program components. There is much to be learned by staffs to improve their personal and professional capabilities. They must be current on financial and career planning, research and evaluation. The history and current philosophies of higher education, leadership skill and management techniques, admissions and financial aid, and related matters. Of course, we are not concerned with developing psychometricians, but educators and administrators responsible for working with students with clear academic deficiencies should be expected to be conversant and competent with current literature, approaches and techniques in testing and measurement. Perhaps a viable approach would be to identify by state experienced persons to function as training facilitators.

Regionalization of TRIO programs is an efficient arrangement provided, of course, that communications channels are effective up and down the line. The morale of the program staffs is always improved when senior program officers and staffs are accessible and informed. Grants should be awarded at the regional level at least three years at a time. This would accomplish several goals that are administratively necessary and educationally sound. For instance, staffs could be stabilized, trained and evaluated. Long-range planning would be facilitated. Useful evaluation and research models could be implemented. Forward funding should include the factors of cost of living increases as well as market movement. Proposals should be written for three year cycles and documented by annual and semi-annual reports and analyses.

Program directors are unanimous in their desire to have input to guidelines, and regulations will be used to determine program policies and procedures.

This statement, then, is not intended to be inclusive or exhaustive of all of the concerns of TRIO programs, staffs and students. It is, however, a sincere summary of confirmed and carefully considered conclusions as reported by students and staffs. We have not attempted to prioritize these recommendations. We view as crucial the encouragement of institutional involvement and commitment. We are prepared to elaborate, amplify or document need for each or any of these recommendations if it is considered necessary or appropriate.

APPENDIX

Correspondence and other materials submitted to the Subcommittee for the hearing record on HR 3471 and related legislation.

A. General Comments

Middlesex County College,
Edison, N.J., February 27, 1975.

Hon. James O'Hara,
Chairman, Subcommittee on Postsecondary Education, House of Representatives, Washington, D.C.

Dear Mr. O'Hara: As the President of the largest community college in the State of New Jersey, and in conjunction with the director of Financial Aid of the College, I should like to specifically address our primary institutional concerns regarding the efforts of the Postsecondary Education Subcommittee of the United States House of Representatives to amend and extend the Educational Amendments of 1972.

Initially, I wish to bring to your attention the fact that Middlesex County College currently administers federal student aid, including Basic Educational Opportunity Grants, in a total amount in excess of $250,000 annually. As is the case with most such public institutions, federal student aid constitutes the primary sources, limited as it is, employed in an attempt to bridge the gap between educational reality and family financial need. Our interest, therefore, in the efforts of the Postsecondary Education Subcommittee, is far from casual.

We wish to applaud the Subcommittee for its responsiveness to the testimony presented last fall regarding the expansion of the College Work-Study Program. We have found the College Work-Study Program to be the singly, most valuable, educational and financial assistance program available to the Middlesex County College student body. Although this letter is not the appropriate place to document the well-known the institutionally respected values of the College Work-Study Program, we do wish to completely and totally support its continuation and expansion.

We are somewhat distressed, however, in the recognition that the President's proposed budget calls for a funding reduction of $50,000,000 in College Work-Study funding for fiscal year 1976. While the President and the members of the Subcommittee are obviously reflecting differing attitudes regarding College Work-Study, we very strongly urge you, as a viable member of the Subcommittee, to oppose any efforts to modify the College Work-Study position of the Subcommittee. We believe that despite recognizable political interaction, the expansion of the College Work-Study Program must not be subject to compromise.

We do directly oppose the position of the Subcommittee regarding National Direct and Guaranteed Student Loans, as well as their suspected relationship on the State Scholarship Incentive Grant Program. The position of the Subcommittee to further restrict the availability of student loans, while consistent with a burgeoning student default rate, will have a grossly negative effect on student aid. A large segment of the student population of Middlesex County (which is, by all demographic and economic standards, urbanized) are at economic levels which prevent their eligibility for Basic Grants while, due to the incredible economic realities of urbanization, their real income forbids the inclusion of higher education within their means. For such a student population, the student loan, either in conjunction with or apart from College Work-Study employment, constitutes the sole avenue by which higher education can, in fact, be consummated. The tightening of the availability of student loans will undoubtedly result in "middle income" citizens being denied access to higher educational opportunities. To this, we are dramatically opposed, and urge your efforts and reconsideration of such action.

As a critical aside, the position of the Subcommittee that reduction in student loan availability will be offset by increased authorization in the State Scholarship Incentive Grant Program is, in our opinion, incorrect. Such an assumption presumes that the same student population will be equally eligible under either program. In New Jersey, this is completely erroneuos. Scholarship, by definition, implies academic or other merit. Therefore, New Jersey administers the State Scholarship Program, based primarily on need, but coupled with academic considerations. To do otherwise would be to destroy the very concept, and equitability, of the Scholarship plan. As a result, large numbers of students who, based on need alone, qualify for a student loan do not meet the academic qualifications associated with State Scholarships. Infusion, therefore, of S.S.I.G. funds tends only to assist and expand an already strong program which, while meritorious, does so at the direct expense of students and families already disenfranchised by the Basic Educational Opportunity Program.

We urge your attention, your individual effort, and your direct association with these matters. Should I, or any member of the entire staff of the College, be able to provide you with any additional information during your deliberations, please do not hesitate to contact me directly.

Sincerely yours,

Frank M. Chambers,
President.

Tuskegee Institute,
Human Resources Development Center,
Tuskegee Institute, Ala., March 4, 1975.

Hon. James G. O'Hara,
Chairman, House Subcommittee on Postsecondary Education, U.S. House of Representatives, Washington, D.C.

Dear Sir: Our thanks and congratulations to you for your introduction of HR 3471. I feel that such revisions in student-aid programs are drastically needed and long overdue. You are to be congratulated for taking this timely initiative.

Most provisions of HR 3471 showed indications of extensive, objective deliberations. However, those with special appeal to me were the following:

(1) Work-study Program—Nearly double the current $300 million level of the work-study program require students to be paid at least the actual minimum wage instead of a special lower student wage, and reimburse institutions for their costs in creating or finding other non-subsidized jobs for students.

(2) NDSL Loans—End Federal capital contributions to the National Direct Student Loan program except for sufficient funds to cover forgiveness on existing loans now required by law for certain post graduation service.

(3) Directs NIE to study the development of culturally bias-free tests to determine scholastic ability.

As an administrator in a number of federally and privately-sponsored programs—dealing mainly with increasing educational opportunities for minorities—over the past few years, I have shared the anguish of too many students who were unsuccessful in identifying "adequate" financial aid. The problems most often realized were:

(1) *An overall insufficient financial aid package*—i.e., the total award not amounting to what it would cost the student to attend the awarding institution. Generally, most students with whom I have dealt could expect no support from home.

(2) *"Loan-heavy" financial aid packages*—too much in (for example) NDSL and too little in Work-Study and SEOG.

(3) *Insufficient number of jobs or study-related jobs available*

Your bill seems to address these problems and I believe, if passed, would correct the basic problems altogether. However, permit me to add that while I would strongly wish for work-study programs replacing the loan programs, I consider very limited loan programs acceptable as a last resort. It is just through my long involvement with low-income individuals, I have come to believe that most of these persons sincerely are not looking for handouts, but only the opportunity to earn their education with as few encumbrances as possible.

Finally, I share with you your concern regarding the development of culturally bias-free tests to determine scholastic ability. Even though arriving late, such would be extremely welcomed.

God speed and best wishes.

Sincerely yours,

THEO. JAMES PINNOCK.

MT. SAN ANTONIO COLLEGE,
Walnut, Calif., March 5, 1975.

Congressman CARL D. PERKINS,
Chairman of House Committee on Education and Labor, Rayburn House Office Building, Washington, D.C.

DEAR CONGRESSMAN PERKINS: I am currently serving as chairman of CHECSSA (California Higher Education Council of Student Services Association). Membership in CHECSSA comes from representatives of the 14 major student personnel services organizations in higher education in the state of California. CHECSSA's major purposes are to coordinate and disseminate information regarding trends in student services and legislation.

I am writing on behalf of CHECSSA to indicate strong support for some of the major provisions as introduced in H.R. 3471 and H.R. 3470. In general, placing more emphasis on student work and less emphasis on student loans is the direction supported by student service professionals. Concerning a never funded cost of instructional allowance, I would like to point out an example from the California community colleges. Community colleges in California have over a million students currently enrolled, and according to the data as many as 40% of these students need financial assistance to enter college and complete programs. Unfortunately, two problems exist: first, funding may not be available at the community college mandate to serve a particular student; second, financial aid application process with its complex forms is enough to stifle the motivation and tenacity of any student.

The application rejection rate is high across the nation. At Mt. San Antonio Community College in Walnut, California, the rejection factor on the BEOG caused the Financial Aids Office to expand services by offering classes to train parents, students, and professionals. Classes will not only demonstrate how applicants should complete the forms, but also provide information about dates for filing the conceptual nature of need-analysis systems, the financial award process, the kinds of aid available, and the costs of education.

The higher education system across the nation, while in a strategic position to implement state and federal programs for allocation of funds for post-secondary student financial assistance, faces tremendous administrative costs. These programs with objectives of equal access, choice, and retention demand scrupulous attention particularly since the key to receiving assistance is the application process which to be successful must be individualized.

Higher education in California could do an even better job if the administrative costs could be shared by the tripartite partnership, (institution, state, and federal). The above examples represent strong and almost urgent appeal for the cost of instruction allowance for institutions to be funded in order to help students succeed.

Sincerely,

DENNIS M. MAYER,
Chairman, California Higher Education Council,
of Student Services Association.

ST. JOSEPH'S COLLEGE,
Rensselaer, Ind., March 6, 1975.

Representative JAMES G. O'HARA,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: I would like to comment briefly on the bill which you introduced February 19th on federal student aid. I want to comment specifically on the proposals with respect to Basic Educational Opportunity Grants and Supplemental Educational Opportunity Grants.

Any reduction or elimination of these programs will make it more difficult for students, especially the less advantaged students, to attend a private residential college, where the total cost is necessarily high. Eve now with the actual maximum, not the theoretical maximum, running around $1000.00 on the BEOG it is difficult to meet the needs of a student who has maximum need, is a good student, but does not qualify for an academic scholarship.

Let us take the case of a student whose total cost of $4000.00 and he is unable to furnish anything toward his education. If he gets a BEOG for $1000, and SEOG for $1000, and NDSL for $1000, and work-study for $700, he is still short $300. But what would happen if the BEOG is reduced to $800 and the SEOG is eliminated altogether. There would be no way in which this student could attend, for example, Saint Joseph's College. The problem becomes even more acute if the BEOG remains a fixed sum while the cost of education keeps rising.

It seems that a better solution would be to raise rather than lower the BEOG, and then leave the SEOG at the discretion of the financial aid officer within limits as now. This would make it possible to really help those who need help.

I do not see any advantage in turning Supplementary Educational Opportunity Grants into federal scholarships. The number of scholarships, estimated at 40,000, would really be a small number compared with those who have need. The program would be so competitive that the scholarships are likely to go to those who already have a variety of other scholarships to assist them.

I would really like to see the BEOG eliminated entirely and the money put to the SEOG. Two of the arguments used to initiate BEOG were that it would cut down on the overhead in administering the program and it would reach the students who really needed the help. Neither argument has proved to be true. The cost of administering the program must be enormously greater to the government than that of SEOG where the administrative charge is only 3%. And there is no evidence that students are being reached by the BEOG who would not have been reached by an expanded SEOG.

I submit these ideas in the hope that whatever comes of the proposed legislation, it will be for the best interest of the students.

Sincerely,

Charles J. Robbins, C.P.P.S.,
Director of Student Financial Aid.

Jackson Community College,
Jackson, Mich., March 7, 1975.

Hon. James O'Hara,
House of Representatives,
Washington, D.C.

Dear Representative O'Hara: The Boad of Trustees and Administration at Jackson Community College support the concept presented in H.R. 3471.

The proposed revisions have been needed for some time. The removal of half-cost limitation, revision to merit for BOG recipients and expansion of the work/study program should serve all students on a more equitable basis.

On the other side of the coin, we oppose current proposals to discourage tuition increases and influence higher education, price-policy making. In today's economic crunch, where post-secondary institutions must rely on external sources (Federal and state governments and local tax levy) for fifty to seventy-five per cent of the financial resources, it is becoming more and more difficult to meet rising costs. Both of these sources are relatively stable but do not increase at the same rate or time as does the expenditure.

Tuition can be adjusted on an annual basis and does provide an opportunity for the student to pay a larger share of the cost of post-secondary instruction.

I would be most happy to elaborate on any of these points in writing or in person, should you desire.

Thank you for your consideration.

Sincerely,

Harold V. Sheffer,
President.

AMERICAN ASSOCIATION OF PRESIDENTS OF
INDEPENDENT COLLEGES & UNIVERSITIES,
March 12, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Postsecondary Education, House Office Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: I write to you concerning one of the best kept secrets between the presidents of most private colleges and the media which can be summed up with the question: "Why did the American Council on Education and the National Education Association meet back in 1945 to warn the people of the United States about the dangerous trend toward the federalizing of education?"

The answer to this question is contained in the attached paper entitled "Principles in Default" delivered at the annual meeting of our association by Dr. John A. Howard, President of Rockford College. I hope you and the members of your Subcommittee will consider reading why the giants of education were against federal aid the education from 1945 to 1962.

Also attached is a summary of a paper entitled "A First Step Toward Restoring the Independence of Private Higher Education" by Dr. Dallin Oaks, President of Brigham Young University. By copy of this summary to the members of your Subcommittee, I am hoping that Dr. Oaks' proposal would be considered. We would be pleased to offer any additional information.

Sincerely,

JOHN T. MCCARTY,
Executive Director.

Enclosure.

A FIRST STEP TOWARD RESTORING THE INDEPENDENCE OF PRIVATE HIGHER EDUCATION

Recent federal legislation and administrative action have created significant inroads on the independence of higher education, particularly private higher education. These inroads should be of concern to all who value the freedom of inquiry and action that should characterize institutions and individuals involved in the process of learning. Government controls are particularly objectionable to institutions that have attempted to avoid or minimize their receipt of tax-supported funds in order to retain the independence necessary to pursue their unique educational missions.

The current basis for the assertion of government controls over the management of institutions of higher education is their receipt of "federal financial assistance." Both Section VI of the Civil Rights Act of 1964 and Title IX of the Education Amendments of 1972 use those key words, which have now been given extremely broad definition in H.E.W.'s proposed sex discrimination regulations under Title IX. For example, an institution is deemed to have received "federal financial assistance" if any government loans, scholarships, or grants have been paid directly to students for payment to the institution. Title IX forbids any discrimination on the basis of race, color, sex, or national origin in any "*educational* program or activity." (The italicized word appears in the Education Amendments but not in the Civil Rights Act.) These key words have also been given an extremely broad definition in H.E.W.'s proposed sex discrimination regulations. Under this definition the receipt of federal assistance by any portion of an institution subjects the entire institution to the prescribed controls.

As a first step toward restoring the independence of private higher education, we propose to seek federal legislation that would clarify the meaning of the statutory language quoted above, as follows:

(1) An educational institution will not be deemed to have received "federal financial assistance" as that term is used in federal legislation, on the basis of the receipt of federal loans, scholarships, grants, or other funds by students who are enrolled at the institution, even when it is anticipated that the students will pay equivalent amounts to the institution. (This change is important because there is such a provision in the sex discrimination regulations, and because "voucher plan" financial arrangements may play an important role in future financing arrangements and should not subject institutions to government control.)

(2) An educational institution will not be deemed to have received "federal financial assistance" as that term is used in federal legislation, when the total federal financial assistance received by the institution in a particular year does not exceed a specified amount or fraction of the institution's total annual operating budget (such as $300,000 or 5%, or some other figures), whichever is larger. (This so-called *de minimis* exclusion, for which there is considerable precedent in other federal regulatory acts, is meant to protect the institution that is trying to avoid receiving federal financial assistance but inadvertently receives some, or only receives assistance in a minimal amount. The drafting of this provision should clarify such questions as the annual effect in succeeding years of a large grant for a building, or an earlier loan not yet repaid.)

(3) If an institution is receiving the requisite total amount of federal financial support to make it subject to federal regulatory controls, then for purposes of determining the extent to which it will be subject to such controls the language "program or activity" should mean only a constituent program or activity that is receiving such support, and not all programs and activties of the institution. (Thus, for example, the construction of a physical science building with federal loan or grant funds would only subject to federal controls the activities conducted in that building and would not subject to such controls other institutional operations not receiving federal financial support, such as athletics, housing, etc.)

Further steps may be desirable, but the foregoing are most appropriate and feasible at this time.

PRINCIPLES IN DEFAULT

(Remarks by Dr. John A. Howard, President of Rockford College at the Annual Meeting of the American Association of Presidents of Independent Colleges and Universities, December 6, 1974, French Lick, Ind.)

"The ways of freedom are often slower than those of despotism, but most Americans, I submit, still prefer freedom to despotism, however benevolent."—The Very Reverend Vincent Flynn.

Sometimes it is helpful when dealing with a complex and emotion-laden issue to back off from the specific points of concern and try to view the matter in the context of basic purposes and basic principles. Let me attempt such an overview with regard to the government's programs to enforce equal opportunity on the campuses.

There has been a generally accepted recognition that it would be unwise in our country to commingle the responsibilities of church and state. This principle derives from the fact that the two have separate functions to perform, and that neither should have control over the other to such an extent that force could be used to require the functions of the one to accomplish the chosen purposes of the other. This separation essentially frees both to be operated according to the judgments of people selected for their competence in their respective fields. The separation has a subordinate virtue of permitting either on to use its own techniques for discouraging flagrant error on the part of the other. For example, one would expect government to prevent the burning at the stake of even the most thorougly authenticated witches. That kind of intervention is, however, something far removed from government's prescribing the qualifications for becoming a clergyman or trying to influence the subject of the sermon or the amount of money spent for hymnals.

There is, I believe, an equally compelling need to maintain a separation of education and government, a need that derives from the same justification. Education and government have separate functions to perform. Government's work is to regulate, adjudicate, and protect the citizens in those activities which, through properly authorised procedures, have been judged to be necessary for the good of the society. Education's role is to inform and activate the intellectual and aesthetic powers of man so that he may dream, probe, invent, compare, judge, challenge and create—to the end that knowledge shall prevail over ignorance, wisdom prevail over folly, and humaneness prevail over savagery. The people who are trained and competent in government can scarcely be expected to have the expertise to make proper judgments to guide education, and vice versa. Education cannot prosper in a society if it is operated by amateurs, and neither can government.

In the case of the separation of education and government, there has been no traditional axiom comparable to the separation of church and state. I would suppose that that lacuna reflects an enduring assumption that the fundamental requirements of academic freedom have been so clear and would always be so fiercely guarded it was unthinkable that government would ever usurp the prerogatives of academic decision-making. At all events, the recognition that education needed to be free of government domination was almost universal among American educators until seventeen years ago.

In 1945, the Problems and Policies Committee of the American Council on Education, and the Educational Policies Committee of the National Education Association met in an unprecedented joint session to consider a matter of the gravest concern to both. From that meeting issued a statement of alarm. I quote the opening paragraphs:

"The first purpose of this document is to warn the American people of an insidious and ominous trend in the control and management of education in the United States.

"For more than a quarter of a century, and especially during the last decade, education in the United States, like a ship caught in a powerful tide, has drifted further into the dangerous waters of federal control and domination.

"This drift has continued at an accelerated pace during the war. Present signs indicate that unless it is sharply checked by an alert citizenry, it will continue even more rapidly after the war.

"It is the deliberate and reasoned judgment of the two educational commissions who join in the appeal which this document makes to the people of the United States that the trend toward the federalizing of education is one of the most dangerous of the current scene."

I ask you to remember that that warning cry emanated from the policy committees of NEA and ACE. Their fears of pressure in behalf of government funding were, of course, confirmed by events that followed. President Truman in the late forties pressed hard for legislation to provide federal aid to education. College presidents across the nation were rallied under the leadership of Charleton College's President Emeritus Donald Cowling, sending strongly worded messages to Congressman Graham Barden, Chairman of the House Subcommittee on Education.

Northwestern's President Franklyn Snyder wired Mr. Barden, "I sincerely hope that neither HR 4643 nor HR 4711 will be approved by your committee . . . The American educational system . . . has been built on the principles of local autonomy and local responsibility. No need has yet arisen which justifies discarding these principles." The Very Rev. Vincent Flynn, President of St. Thomas College, wrote the Congressman, "None of our institutions in America is perfect . . . We wish them all improved, but not by any means whatever . . . Least of all, in my opinion do we wish our educational system improved by means inherently dangerous. Far better for it to struggle along with its imperfections, gradually improving as its constituents grow in wisdom, than to have it immediately raised to standards set by federal authority. The ways of freedom are often slower than those of despotism; but most Americans, I submit, still prefer freedom to any despotism, however benevolent." Florence Read, President of Spelman College, wrote, "To have permanent federal support for education on any level would, in my judgment, tend toward dictatorship by a bureaucracy which would endanger the freedom and growth of all individuals in this country. There could hardly be anything worse than an imposed system of education without regard to differences in community conditions."

And so the messages poured in from the presidents of Columbia University, Brown University, Elon College, Fulton College, Yankton College, Union College, and a host of others, and the legislation was defeated. Grinnell's President Samuel Stevens then wrote Dr. Cowling, "We may have succeeded this time in stopping this most unwise development, but I am of the opinion that unrelenting vigilance will be required. One member of the lobby said to me, 'You may stop us now, but we are not going to be finally denied.' "

The historic belief among educators that general governmental funding would compromise education held relatively firm until October 4, 1957. Sputnik Number One sent a chill into the hearts of all Americans with the realization that Russia had outdistanced us in space technology. As a result of that scare, even the educators were suddenly, if reluctantly, willing to grant new powers to the government, overriding the historic and well-reasoned objections of federal funding of education. The National Defense Education Act of 1958 put into being vast new programs that embraced under the label of "defense" activities that certainly stretched the meaning of the word.

The wall of principle was broken and a new era arrived. Each group began to press its case for federal subsidy. As Homer Babbidge and Robert Rosenzweig wrote in this 1962 book, *The Federal Interest In-Higher Education*, "There is a kind of tacit understanding among the several organizations in American higher education that no one of them will openly object to federal benefits directed toward another group . . . When one educational association can support legislation that will benefit another, it does; where it cannot support such legislation, it at least remains silent." Even in 1962, however, there was still a residue of concern for principles and for sound public policy that had thus far blocked legislation to subsidize building construction. Quoting again from the Babbidge Book, "Another obstacle in the construction-legislation affair that offers insight into a broader problem was the fact that educators assembled could not resist the instinct to speak as statesmen. That may sound cynical, but the fact of the matter is that the very same educators who attested to their need for and interest in federal assistance when they responded to the aforementioned questionnaire were those who undermined their common interest by questioning its wisdom in the context of public policy. When they debated the possibility of aid to higher education, they were not content to describe their needs and the most effective manner of meeting them; instead they took on the larger issue, whether it would constitute sound public policy to meet these needs . . . What the Executive Secretaries (of the national organizations) did *not* do was to attract attention to the issued involved. Their years in Washington had taught them what others may not have understood so clearly, that effective pursuit of one's interests often involves finding ways to avoid broader issues that serve to obstruct action, and never involves raising such issues gratuitously.

Well, as you know, the Executive Secretaries won out. Principles and issues were subordinated to self interest. The people who still objected to federal funding were to some extent placated by protective language written into the funding legislation. Typical of this presumed safeguard was section 102 of the National Defense Education Act which states, "Nothing contained in this Act shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution or school system."

Those few educators who still persisted in their concern were subject to mokery. Turning once more to Babbidge and Rosenzweig, ". . . The argument seems to suggest that no limits can be placed upon a federal-institutional relationship once begun; that a first kiss leads inexorably to the total surrender of virtue. A terribly Victorian view, to say the least. In the view of those who take this position and make this use of the federal-control issue, institutions are helpless to resist the encroachments of government. The autonomy of higher education is threatened by 'creeping' federal aid and 'insidious' federal envelopment. The lurid manner in which the inevitability of all this is described has led to its being dubbed the 'parade of horrors' argument."

Unfortunately, many of the proponents of federal funding were skilled in directing public discussions of the federal aid issue to those arguments they could turn aside with such derision. I think it may be useful to remind ourselves of some of the less publicized reasons stated by former generations of college presidents in their opposition to federal funding, and note briefly what has happened in each case.

1. Given the separation of church and state, there was a fear that as state moved into education, church would be obliged to move out. In the Maryland Case, as you may know, the State Supreme Court found that several of the colleges being subsidized by the state were so closely affiliated with their churches that it was unconstitutional to provide them with government funds. Thereafter the question became how much church did a college have to get rid of in order to receive government funding. It may have been coincidental, but shortly thereafter a number of church-related institutions reconstituted their boards of trustees, markedly diminishing the number of clergy who served as trustees. In the succeeding years, as we know, the role of religion on many campuses has diminished greatly.

2. There was a fear expressed that when education became dependent upon federal funding, the educational profession would become a political captive, forced to support whichever candidates were likely to vote for the most federal subsidy. In 1972, the NEA put major emphasis on the re-election of Senator Clayborn Pell, the federal aid enthusiast who serves as Chairman of the Senate subcommittee on Education. After the election, Senator Pell was quoted as saying, "My election is a victory for teacher power. Before the teachers began to help me, I was a two-to-one underdog." Encouraged by their success in 1972, the NEA, I understand, worked in behalf of quite a number of "friends of education" in the 1974 elections.

One other aspect of the political captivity hazard is the question of whether educational institutions, having become dependent upon the flow of Federal money, might diminish their resistance to damaging legislation or mute their objections to inappropriate regulatory control. Certainly educators' arguments against objectionable provisions of 1969 Tax Reform Act and other recent legislation have not achieved the intensity nor the public clamor that characterized the resistance to the disclaimer affidavit of the National Defense Education Act back in the days when Federal funds were much scarcer on the campus.

3. The fear was expressed that educational institutions might forfeit the initiative in planning their own instructional and research programs, responding to those opportunities for which federal funds were available, rather than planning their programs to fulfill their own institutional purposes according to the talents and training of their own faculties and the locally determined judgments of the needs of their students. The president of one metropolitan university stated in a speech that when it was decided to add Ph.D. programs to the university offering, the first eight programs were all in science, developed with the help of federal funding. Do you suppose that left to their own resources, the faculty would have excluded the humanities and social sciences in the initial provision of doctoral programs? Other examples of the skewing of higher education resulting from the availability of Federal funds might include the great expansion of the research function and the relative decline of the teaching function of the professors, the trend toward similarity of programs and policies among the colleges, and the preoccupation with innovation in academia.

4. Another concern that was repeatedly cited is the ever multiplying cost of sustaining the bureaucracy which processes the grants. Not only must the government provide an army of clerks, accountants, secretaries, compliance officers, supervisors and lawyers to receive the requests, judge them, issue the funds, monitor and spot check the performance of the grantee, and audit the records, but the colleges, too, must pay for personnel to keep apprised of the grant opportunities, prepare the requests, keep records on the utilization of the grants, fill out the forms required by the government, provide legal counsel, etc. If higher education is short on money nowadays, think of the enormous amount of financial resources spent on the processing of grants which might otherwise be available for productive activity.

5. The one other argument I would cite is that of direct federal control, the one so condescendingly set aside by Messrs. Babbidge and Rosenzweig. Going clear back to the National Defense Education Act, one finds even in that early legislation an instance of policy imposed on the colleges and universities which would have brought instant and forceful rejection from any self-respecting college, had it been proposed by any other source of funds. That Act, among other things, provided for the establishment and the total subsidy of language institutes at institutions of higher learning where language teachers could improve their skills. The bill provided full tuition for the students who enrolled in these institutes and, in addition, a stipend for their living expenses and for each of their dependents, but the latter benefits were only available to public school teachers. Teachers in private schools were excluded. I do not believe there is a reputable college in the country that would tolerate such a double standard in any program of its own devising. And yet scores of erstwhile honorable institutions compromised their integrity on that matter in order to obtain the language institute programs from the federal government.

As you know, the early posture of government officials insisting that they would not control education through the leverage of federal subsidies faded away in the early sixties. When several of us called on Commissioner Francis Keppel to present a recommendation for using the gift tax-credit as the best means for government to aid education, if government insisted on providing aid, the Commissioner quickly responded that such a plan was out of the question because it would "prevent us from accomplishing our social objectives". He did not elaborate on what they were, but it was apparent that he intended to use government funds to bend American education in the direction of government's purposes. By April of 1966, such comments from government officials were no longer confined to office discussions. Commissioner Harold Howe gave an address at the New Jersey Conference on Education, entitled "Who's In Charge here?" He stated, "Your state government pays only 21% of the cost of education in New Jersey. By that index, it ranks 46th in the nation. What does that mean? It means that your state has relatively little control over education . . . In spite of the fact that extending state prerogatives would diminish local freedom, I support that extension."

And now, we are faced with the ultimate in governmental usurpation of the control of education—the dictation and supervision by the federal government of policies which have the effect of preventing the college from appointing and promoting its faculty according to their academic competence. Through the Affirmative Action program, education is now being forced to subordinate its own proper purposes and functions to the purposes and functions of the government. The separation of education and government has now collapsed.

The grave distortions of the educational enterprise which have resulted from this regrettable circumstance are being publicly recited with increasing frequency. George Roche's book, The Balancing Act, presents perhaps the most comprehensive survey of the problem. On October 10, Estelle Fishbein, the Special Assistant Attorney General for the University of Maryland, presented at the annual meeting of the American Council of Education, a lawyer's view of the price paid by a university for its subjugation to Affirmative Action. Among the points she listed were, and I am paraphrasing:

1. The laws, statutes and executive orders pertaining to equal employment opportunity are so numerous and so broadly stated that legal counsel is becoming involved in institutional decision-making to an unprecedented extent.
2. The compliance officers of the government much too often seem to measure equal employment opportunity progress solely with reference to numbers. There is, after all, no government agency which is charged with measuring progress toward academic excellence. Often the government investigator is unqualified to delve into academic affairs and make a knowledgeable and reasoned judgment of the facts presented to him.
3. The legal hazards flowing from a failure to comply with these laws include the possibility of the loses of government contracts and of being named as a defendant in litigation undertaken both by members of the groups intended to be protected by the legislation and by individuals who perceive themselves to be victims of reverse discrimination.
4. In their fear of not meeting the government's requirements, institutions are bidding frantically against each other and may offer salary or rank, or both, vastly disproportionate to the candidate's credentials, just to appease the government investigators.
5. Blatantly favored treatment of a woman or a minority member is practically guaranteed to impair morale of other faculty members.
6. In their present mode of organization, the Equal Employment Opportunity Commission and the Department of Health, Education and Welfare simultaneously act in the roles of prosecutor and judge. This duality defies the most basic tenets of American judicial philosophy. Furthermore, the agencies charged with enforcing anti-discrimination laws are not neutral fact-gatherers. EEOC, for example, is frank to admit it considers itself an advocate of the complainant.
7. University administrators and faculty members who have responsibility for hiring, admit feeling intimidated with regard to personnel decisions, for in state universities the individuals responsible for hiring are personally subject to legal action seeking monetary damages in cases alleging discrimination.
8. The amount of time, money and talent that must be diverted from the academic mission in order to deal with these matters is substantial.

If you have not seen Attorney Fishbein's paper, I urge you study it.

Let us register on a proposed new extension of government's forthright control of education. Recently Senators Javits and Kennedy introduced legislation designed to force every fledging doctor who graduates from a medical school that uses federal funds to begin his or her medical practice in areas designated by the government. Concerned about the unequal distribution of doctors, the proponents of the bill have judged that since the government pays for a large part of the medical training, the government has a right or an obligation to make sure that all the citizens get their proper return on that investment of their tax funds. If that rationale should prevail, then the leverage of federal subsidy will have reached beyond the campus into the working lives of the graduates, an extension of federal control far beyond the most extravagantly fearful projections of the "parade of horrors" people who were scoffed at by Babbidge and Rosenzweig.

Returning now to the matter which prompts this analysis, we have just heard a presentation by Miss Gwendolyn Gregory who has major responsibility in the Department of HEW for drafting the terms of the regulations governing sex discrimination under Title IX of the Education Amendments of 1972. She has reported to us what our government proposes to permit us to do and to forbid us to do with regard to hiring of our personnel, admissions, scholarships and financial aid, counselling services, physical education courses, dormitory regulations, honorary socities, atheletics, and fraternities and sororities. It has been an enlightening experience to hear the representative of our government speaking with the presumption of full authority over certain aspects of our entire educational undertaking. An enlightening experience and, for college executives who believe in the separation of government and education, a frightening experience.

Well, what is the purpose of this historical review of the relationship between higher education and the government? It is to give us perspective on our response to this newest massive intervention in our proper and once discrete areas of responsibility and judgment. I suggest that we not attempt merly to negotiate a less burdensome implementation of a governmental action which is fundamentally erroneous in its concept and devastating in its consequences. This is the mistake education has so often made in the past. It is time for us to face directly and forthrightly the issue which is really at stake.

The Swiss philosopher Amiel observed, "Truth is violated by falsehood, but it is outraged by silence". Let us rescue truth from outrage. The fact is that the loss of autonomy predicted by Northwestern's President Snyder, the creation of a federal despotism predicted by St. Thomas's President Flynn, the dictatorship of a bureaucracy which threatens the freedom of all citizens predicted by Spelman's President Read have all come to pass. The National Defense Education Act ban on federal control has been nullified. The alarm expressed by the commissions of the National Education Association and the American Council on Education has been fully justified.

I suggest we request the President of the United States and the Congress to acknowledge that a terrible mistake has been made, that the provision of federal subsidy to higher education *in the manner which has evolved* is ristricting and homogenizing and stultifying and warping the educational process to such a degree that the integrity and vitality and productivity of our educational institutions are gravely compromised. I suggest we request the Congress to declare a moratorium on any implementation of Title I–, and refrain from enacting any new regulations governing higher education until a thorough and honest review can be completed which evaluates the present techniques of federal support and their actual impact upon the educational enterprise.

The separation of education and government is so absolutely essential to the well-being of a free society, that it behooves the Congress to examine the tuition voucher plan, the tax credit for gifts to educational institutions, and any other options that can be devised which would protect the integrity and the autonomy of the colleges and which might be put into operation, gradually substituting for and phasing out those programs of grants which have proved to be the basis for the governmental dominion over education.

That it should fall to our particular Association to assume the leadership in this call for a re-evaluation is most fitting, for our central purpose has consistently been to protect the independence of private colleges, and independence is clearly what is at issue. In this case, of course, it is the independence of all colleges and universities, public and private, which has been circumscribed.

Let me conclude these remarks by a reminder of another prediction which bears on our present concern, one that was directed at the private colleges. Seven years ago, Alan Pifer, President of the Carnegie Corpoartion, in his address at the annual meeting of the Association of American Colleges asserted, "The financing of higher education will, like the support of agriculture, more and more come to be regarded as a federal responsibility." He went on to suggest that the government should set standards of efficiency and productivity, and it should make judgments about which educational institutions are worthy of support, rather than distribute funds according to some general formula. Finally, he foresaw the ultimate elimination of any significant distinction between public and private colleges.

His first forecast is, I believe, on its way to being fulfilled. Certainly the fate of American higher education is just as regrettably vulnerable to the ebb and flow of government's purposes and judgments as is the fate of American agriculture. Whether the private colleges shall ultimately coalesce into a common glob with their public bretheren, funded and directed from Washington according to Washington's judgments of each institution's merits, may well depend upon how much understanding, wisdom and courage we can summon at this meeting, and how we choose to respond to our present circumstances.

CREIGHTON UNIVERSITY,
Omaha, Nebr., March 12, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Education, Cannon House Office Building, Washington, D.C.

DEAR MR. O'HARA: In your introduction of House Rule 3471, which proposes many significant changes in the area of Federal student financial aid, you brought up some points which I wish to comment on behalf of Creighton University.

Since the inception of student aid programs, primary responsibility has rested with the Financial Aid Officer of the individual educational institution. Following Office of Education guidelines and using often inadequate Federal funding, these individuals, with very few exceptions, have been able to assist millions of students in attaining their educational goals. With the passage of the Higher Education Amendments of 1972 and the establishment of the Basic Educational Opportunity Grant, a trend was initiated to remove this primary responsibility from the specific Financial Aid Officers of the various post-secondary institutions. The operation of the Basic Opportunity Grant Program has been plagued since its inception with many flaws, including delays in making application forms available to students, confusion in processing application forms, and significant miscalculations regarding award recipients; which has resulted in an embarrassingly large surplus of funds at the end of each fiscal year. Further enlargement of this direct Office of Education involvement in making awards to students by including the Supplemental Educational Opportunity Grant Program and using something like national test norms would be a case for further confusion and inefficiency.

The State Incentive Grant Program, which under your suggestions would definitely favor low-tuition and zero-tuition institutions, is quite unfavorable to the private sector of post-secondary education. It would be particularly difficult for private post-secondary institutions operating in a state, like Nebraska, where no grant program exists for providing funds for students attending private institutions.

The exemplary record of Creighton University in the Guaranteed Loan Program is proof that educational institutions can act as responsible lenders for the Guaranteed Loan Program if they work conscientiously and efficiently. Our proof of performance is currently on file with the Office of Education. If schools should not be in the business of lending money as you suggest, why do you suggest, then, in your introduction of the bill that they be allowed to administer their own internal National Direct Loan Programs? It would seem better that educational institutions involved in loan programs be more closely regulated rather than barred as a group from participating in the Guaranteed Loan Program.

The College Work-Study Program, which has received favorable comment from you, is indeed a beneficial program to many students but suffers from many limitations, not the least of which is requiring a student to expend valuable study time doing, which are of your own admission, often menial tasks. The financial aid community realizes the time consuming nature of the administration of the program and the many problems inherent in requiring students to perform these menial tasks. I feel that the program should definitely continue, but in our own particular case here at Creighton, I feel that the program could reach a point of diminishing returns quite rapidly.

Many hold the belief that tuition is inflationary because of student aid. However, high fixed costs (such as facilities, tenured faculty, and utilities) of a university must be spread over as many students as possible. Therefore, I do not feel that when financial aid is properly administered that it is the cause of educational inflation. Student aid, instead, has allowed tuition to be held to the bare minimum.

An analysis of Creighton's current situation relative to your bill shows that we could lose approximately 750 students whose tuition payments are $1,725,000, and just as important, we would lose approximately $400,000 in dorm receipts. Obviously, this could be disastrous to Creighton University, and other private institutions would probably offer comparable figures.

To summarize our position, then, I feel that it is imperative that the current programs of financial assistance be strengthened rather than destroyed and that this should be done by realistic funding and sufficient regulation of each individual institution using Federal funding.

Sincerely,

THOMAS J. SCHNITKER,
Director of Financial Aid.

TENNESSEE STATE UNIVERSITY,
Johnson City, Tenn., March 13, 1975.

Re: Position Paper on Revision of Student Aid Programs

RICHARD L. TOMBAUGH,
Washington, D.C.

MR. TOMBAUGH. I am very much *against* the following proposals and very disappointed that NASFAA would favor such:

(1) Two definitions of need.

(2) Concept of allowing for unrealized parental contribution.

(3) Justified over awarding.

(4) Increasing the "give away" programs of aid.

(5) Differential CWSP ratio.

(6) Using tax money to help pay students for working at a profit making agency.

I would support some variation of the following:

(1) Combine the "Application to Participate" with the "Fis-op Report"—thus allowing input from the "field" into the budget requests.

(2) Regulations prohibiting the revision of the above documents except with prior year notification.

(3) Regulations requiring institutions to be notified by a certain date (March 1?) of their awards for the upcoming year and prohibiting awards being made to students prior to actual receipt of such.

(4) Retain the traditional concept of financial need (Education cost less expected family contribution).

(a) initiate review and approval of need analysis systems by dates not in conflict with "3" above.

(b) have set nationwide budget expense allowances for all students, such as that in the BEOG program.

(5) Have three financial aid programs:

(a) *Work Program.*—Have adequate funding and allow every interested student to work up to 20 hours per week after all students with documented need have been employed.

(b) *Loan Program.*—Combine all loan programs as recommended by NASFAA. Students with documented need must be serviced first, then any interested student. Have interest rate set annually and at the approximate going rate. No cancellations for service. Repayment period and interest begin on 12th month after borrower leaves school.

(c) *Grant Program.*—Would be based upon financial need and academics. The maximus would be in the amount of tuition and/or registration fees, which will be frozen at the maximum level when the program is initiated. (to prohibit raises in tuition to increase need)

All the above programs would have an academic requirement for annual renewal. For example: a 2.0 quality point average on a 4.0 scale.

I do appreciate the work you are doing, but disagree with the philosophy of the position paper.

Best wishes,

J. P. SHANNON,
Assistant Director.

FORDHAM STATEMENT ON H.R. 3471—THE O'HARA PROPOSALS

Fordham University is grateful for the opportunity to submit this statement of our views on HR 3471, the proposed student aid bill now being considered by this Subcommittee.

We note the presence of Mr. Brademas on the Subcommittee. Mr. Brademas served with distinction on the National Commission on the Financing of Post-Secondary Education. Over one year ago, the National Commission warned, "Too often, new programs are proposed by groups that have a certain philosophical bent and want to effect a particular change but have little way of knowing what their proposal will in fact accomplish." (p. 219) During their investigation, the National Commission examined, using an analytical model, several dozen proposals for financing post-secondary education. Using this model, they made predictions about the impact of various financing alternatives upon student access, student choice, student opportunity and the sharing of financial responsibility. In a statement introducing HR 3471, Mr. O'Hara stated, "I propose this measure quite openly as one way to utilize the leverage of Federal student aid in such a way as to encourage the creation of low cost educational opportunities." We would only comment that *low-tuition* educational opportunities may be fostered; we fail to see the connection between these proposals and *low-cost* educational opportunities. In our region, the low-tuition opportunities are the high cost opportunities. For example, in 1971–72, City University expenditures per full-time equivalent student were $2,306 while Fordham's were $2,102.

More importantly for us, the introductory statement does not detail the impact of HR3471 on student access, student opportunity and student choice at private non-profit institutions of post-secondary education, nor does it detail what share of the financial responsibility for higher education will be borne by these institutions. The plans examined by the National Commission would vary by as many as 300,000 bodies in their impact on the enrollments of private institutions. What loss or gain in enrollments for private institutions is projected for the plan of HR3471? What will be the impact on student choice? As of March 13, 1975, the Subcommittee staff could not answer these questions. We would submit that until someone can answer that question in a form and based on data that is acceptable to all parties involved, this Subcommittee should not act favorably on the proposed legislation.

For school year 1973–74, Fordham's total enrollment was 14,294 or 12,285 FTE. Current expenditures, excluding auxiliary enterprises, were $28,072,704. Expenditures per full-time equivalent student were $2,285 in 1973–74. Income from tuition made up 69.7% of our revenue for that year. 19.6% of our student body are minority group members. $2,470,844 of University generated funds were spent on student financial aid, approximately $600,000 for minority group members.

What would the effect of HR3471 be upon Fordham University? We appreciate Mr. O'Hara's frankness in his introductory remarks. The bill is not intended to help us. The only question is, "how much will it hurt us?" We think it will hurt some of our most important programs of student recruitment quite badly. The bill may have other objectives, but it appears to have the potential for devastating effect upon the private, non-profit universities.

Currently, 160 students at Fordham receive $96,340 under SEOG. Would they, and incoming students like them, qualify for SEOG under Mr. O'Hara's plan? If the standard is some culture-bound standardized test, then many of our current and potential BOG students would not qualify for SEOG since, in order to achieve an objective of New York State, we recruit students who are not only economically but also educationally disadvantaged. Since we do not know the specifics of the selection process for SEOG grants we do not know if these students will be favored or not. Since their current situation of economic and educational disadvantage is the product of years of discrimination and bias, it would be ironic indeed if the "tilt" of this plan would be against them Currently at Fordham we have 400 students in our Higher Education Opportunity Program. There are 205 enrolled after Fall, 1973 and, therefore, eligible for BOG. In any event, we cannot assume that any of our current BOG students will receive SEOG money under Mr. O'Hara's plan.

Most crucial to us, however, is the proposal in Mr. O'Hara's plan to break the 50% out-of-pocket costs limit currently operative for BOG grants. For us, this would mean that new students in New York City would have this choice:

(a) Receive $1,400 and attend a tuition-free university, or

(b) Receive $1,400 and apply it towards a total educational cost of $5,500 for a resident student.

For a low-income student, particularly for one that does not qualify for SEOG under Mr. O'Hara's plan, that's not choice—it's not even an echo.

Mr. O'Hara plan affects the poorest students—those most educationally and economically disadvantaged. It may fatally affect our ability to recruit future students from this group. It will certainly affect the choice available to such students.

In good faith, Fordham has attempted to ensure, as best we can, that the educational program we offer is open as far as possible to students of all races and classes. On a state-wide basis, there is practically no difference in New York State between the economic background of students attending private universities and those attending state universities. While state universities in New York had a minority enrollment of 12% on a state-wide basis, Fordham's minority enrollment was, as noted previously, 19.6%.

We view this legislation as a direct attack on our capacity to achieve and maintain our goal of a diverse and representative student body.

From time to time, we hear the charge that institutions like Fordham are elitist, restrictive, etc. In New York State, according to the New York State Department of Education, the economic profile of students in private universities does not vary significantly from that of students in public universities as the attached graph shows:

NEW YORK STATE

[In percent]

Net taxable income	Private universities	State universities
$0 to $2,000	21.9	20.7
$2,000 to $6,000	27.7	29.2
$6,000 to $8,000	13.6	14.1
$8,000 to $20,000	36.8	36.0

Approximately 35% of Fordham's students come from families of net taxable income below $8,000. These students are not only the very poor. They are also the sons and daughters of the lower-middle and working class who provide so much of the labor and tax base that support New York. H.R. 3471 has nothing for them, with the possible exception of the elimination of the stringent need requirements for participation in the college work-study program. But this bill is no neutral to these students, because the bill is not neutral to their school. The bill is a positive incentive for lower income students to attend public, low-tuition schools. Falling enrollments in the private sector cannot benefit the lower-middle and middle-income student. The failure of this bill to meet the needs of middle-income students is its most serious failure. It fails them and it fails the schools that serve them.

In closing, we would like to make two tangential comments. If the means test for college work-study were removed, we would anticipate that fully 95% of our undergraduate student body would apply for employment. We have no objection to this, but we have some questions. Will there be funds for all of them? If not, by what criteria will we decide who gets employment under the program?

Secondly, as a matter of principle, we would like the responsibility of determining loan allocation to remain with the university. Student loans are a

student aid program and should be governed by educational criteria and not solely by the fiscal criteria of lending institutions.

PER CAPITA EXPENDITURES, EDUCATIONAL AND GENERAL, IN INSTITUTIONS OF HIGHER EDUCATION, NEW YORK STATE, 1971-72[1]

Type of institution	Per capita expenditures		
	FT faculty	FT students	FTE students
Total State	$56, 480	$3, 939	$3, 307
Total public	44, 831	2, 851	2, 369
Total State university	45, 604	2, 836	2, 394
University centers	63, 678	4, 318	3, 831
University colleges	30, 955	2, 117	1, 906
Total city university	42, 898	2, 892	2, 306
Total nonpublic	69, 837	5, 478	4, 667
Multiversities[2]	98, 083	10, 734	8, 836
Universities	59, 367	3, 763	3, 049
Complex colleges	42, 758	2, 824	2, 467
Colleges	36, 513	2, 495	2, 305
Total 4-year	61, 149	4, 520	3, 851
Fordham	42, 868	2, 572	2, 102

[1] Derived from computer printout prepared by New York State Education Department, based upon institutions' fall 1971 New York State Education Department-4 reports to State education department and U.S. Office of Education.

[2] Columbia, Cornell, New York University, Rochester, and Syracuse.

FAMILY INCOME OF RECIPIENTS: INCOME PROFILE OF STUDENTS RECEIVING STATE AID,[1] 1973-74

Net taxable income	Private		SUNY State operated	
	Number	Percent	Number	Percent
$0 to $2,000	18, 459	21. 9	17, 599	20. 7
$2,001 to $6,000	23, 347	27. 7	24, 825	29. 2
$6,001 to $8,000	11, 463	13. 6	11, 988	14. 1
$8,001 to $20,000	31, 017	36. 8	30, 607	36. 0
	84, 286	100. 0	85, 019	100. 0

[1] Undergraduates only.

Source: State education department.

MARYWOOD COLLEGE,
Scranton, Pa., March 19, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Education, Cannon House Office Building, Washington, D.C.

DEAR MR. O'HARA: Having read HR 3471 published in the February 20 Congressional Record House, it appears to contain items of major concern to Financial Aid Administrators who are primary sources of information and guidance to students; we also have the final responsibility of preparation of financial aid packages for these students. There is also a very real concern by the segment of FAAs from the private segment of higher education.

Promoting, encouraging, and creating low-tuition institutions does seem to make allowances for the public sector of higher education but hardly considers the private segment. Basic Grants covering out-of-the-pocket costs makes financial aid at a community college, for instance, much more palatable than that which can be provided by private institutions.

Eliminating assets does have its advantage; I am sure, however, that there will be more that an "occasional" student obtaining a Basic Grant when and if this is accomplished.

Regarding the SEOG Program, I would only say that a Program Change of the nature expressed in HR 3171 appears to circumvent the intent of the legislation.

Your proposal to wipe out FISL and NDSL removes one area of desirable aid from the vantage point of both the student and the FAA. Not all students can afford the time required by employment. Rather than remove these Programs, why not try to stir a more active interest and greater participation by lenders.

Mr. Chairman, this letter briefs you on some of the feelings from this particular Office. Would you add this information to your continuing review process.

Sincerely,

JEAN M. LYNOTT,
Director of Financial Aid.

CHAFFEY COMMUNITY COLLEGE DISTRICT,
Alta Loma, Calif., March 19, 1975.

Dr. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance,
Washintgon, D.C.

DEAR DR. PHILLIPS: I am writing to express my concern about H.R. 3471, introduced by Rep. James O'Hara. The bill would seriously effect the sound sociological reasons for the creation of the federal aid programs. It would also be detrimental to a large segment of American higher education, the California Community College system. The following arguments seem pertinent.

I am concerned about the O'Hara bill's disruption of the sociological purposes for financial aid programs. In the fifties and sixties, the American people were made painfully aware of certain characteristics of poverty. Michael Harrington's book *The Other America* showed John Kennedy and others that American poverty is a steaming prison with impentrable walls. A young person caught in this prison almost certainly cannot get out simply because he wants to. Congress created programs to *begin* to break down these walls. It was and is clear that disadvantaged people in our culture need a great deal more than merely the availability of higher education. Open admission to colleges and universities, offered as a panacea to the ills of poverty, is doomed to failure. Disadvantaged people need to be admitted to institutions of higher education, but they also need time to correct educational difficiencies. They need not be judged by admittedly discriminatory placement tests and other standardized tests. They need support services in the institutions that admit them. I think that Congress recognized that when it created programs like the Trio Program, SEOG, NDSL, College Work Study, and others that allow professional people to assist disadvantaged people toward an educational goal—hence, out of the poverty prison—in a way that provides for individual needs. In the early 'seventies, there began a "middle class backlash." I have lost track of the number of middle class Anglo students who have been furious because they do not qualify for financial aid because their parents (or, in many instances, they themselves) will not change priorities for how they spend their money. I believe that the BEOG program was created to assuage this "middle class backlash." That program allows middle class America to maintain their living standard *and* send their sons and daughters to college. I find no fault with this, until the process becomes at the expense of the poor. For low income people, college is possible *only* with financial assistance. For them it is not a question of ordering priorities. O'Hara's bill takes us a step further. Because of the needs analysis movements, because of the relaxation of financial requirements, because of the shifts in emphasis of the SEOG program, the bill makes it easier for middle income people to attend college *at the expense of the poor.* It is my sincere hope that Congress won't permit this.

I am also concerned that H.R. 3471 takes some steps which are detrimented to California Community Colleges. As you know, our system has evolved to be a new concept in American higher education. Our program and services are available to any citizen of our district who has graduated from high school or who is eighteen or more. The California Community College is tuition-free, and the direct educational costs are, for the most part, only for books and supplies. But to assume that a person can attend college on a full time basis for the cost of books and supplies alone is a simplistic process of reasoning. Since we have an open door policy, we want to take the person who comes to us, help him or her to develop an educational goal, then facilitate achievement of that goal. A disadvantaged person cannot reasonably expect to achieve his or her goals without some financial assistance to provide food, shelter, transportation, and other necessities. The O'Hara bill would substantially decrease our students' access to federal assistance. This might not seem like a major problem. After all, the California Community College system is only one system in only one of fifty states. But the problem takes on more magnitude when we consider that, for every ten students in all of American higher education, one attends a California Community College. I hope that Congress will consider this as they consider the O'Hara bill.

Please consider my letter in vigorous opposition to H.R. 3471.

Very truly yours,

MIKE ALEXANDER,
Dean of Student Affairs.

SPRINGFIELD COLLEGE,
Springfield, Mass., March 21, 1975.

Hon. JAMES G. O'HARA,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: As President of a successful private four-year college which functions with a balanced budget and full enrollment, and which has provided thousands of graduates to work in the human helping professions all over the country, I am most disappointed to learn of the import of HR 3471 which, if enacted, could accelerate the demise of private colleges within our country.

I respectfully request that you arrange for hearings to gain the input of private college presidents whose management skills contribute so much to relieve the average American of needless additional taxes at the state and local levels for higher education.

Sincerely,

WILBERT E. LOCKLIN,
President.

UNIVERSITY OF REDLANDS,
Redlands, Calif., March 21, 1975.

Representative JAMES G. O'HARA,
Chairman, Subcommittee on Postsecondary Education, Rayburn House Office Building, Washington, D.C.

DEAR MR. O'HARA: Those of us in private higher education are most disturbed by your bill H.R. 3471. We feel that it would prove detrimental to private colleges and universities since it appears to reward students attending those institutions with the lowest tuition fees. As you know, the cost of tuition to the student at the state institution does not reflect the actual cost of education. Certain features of the bill have merit, however, in combination, the result would be most damaging to the private sector in postsecondary education.

Most sincerely,

JACK B. CUMMINGS,
Vice President, University Relations.

EDWARD BLANKSTEIN, INC.,
Princeton, N.J., March 24, 1975.

Congressman JAMES G. O'HARA,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: For many years the Nixon Administration attempted to destroy the National Direct Student Loan Program and the Supplemental Educational Opportunity Grant Program by zero funding in the President's budget. Unfortunately, this year, the Ford Administration concurs and follows.

Each year the Congress has responded by funding and continuing these fine programs.

A new threat now is presented in H.R. 3471 which seeks, among other regressive measures, to destroy these programs.

The NDSL is a 3% loan made by the educational institution to its students, using a combination of 90% Federal funds and 10% institutional funds which is continually re-lent as collected. It is available to students who have greater need than most as determined by a needs analysis system.

In fiscal 1975, $12,711,902 was awarded in Michigan colleges and schools to some 30,288 students. Of this, $223,441 was awarded to some 531 students in colleges and schools in your district. In fiscal 1976, $12,816,005 will be available in Michigan, reflecting the increases recently voted by the Congress.

The SEOG grant is made to students of low income who "but for" these funds could not pursue their education and training.

In fiscal 1975, $8,542,361 was awarded in Michigan colleges and schools to some 12,291 students. Of this, $170,216 was awarded to 245 students in colleges and schools in your district. In fiscal 1976, $10,871,735 will be available in Michigan, reflecting increases recently voted by the Congress.

May we ask that you contact and confer with the College Presidents or the Directors of Student Financial Aid in your district and then discuss this bill with the other members of the Education and Labor Committee. Hearings are now underway.

The only defense offered by committee staff is that defaults are high. They are, and a tightening up of the system together with more program reviews and audits from the Office of Education is certainly recommended. Notwithstanding such actions, we believe defaults will go higher until the state of the economy improves. We hope you will join us though in concluding that it is foolish to throw out the "baby with the bath water."

Yours sincerely,

EDWARD BLANKSTEIN,
Director of Student Financial Aid.

GRAHAM JUNIOR COLLEGE,
Boston, Mass., March 24, 1975.

Hon. JAMES G. O'HARA,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: I am writing to you concerning HR 3471 and requesting that you direct all of your efforts to defeat this bill as its effects upon privately sponsored higher education will be disastrous.

It is my feeling that Congress must do all in its power to insure that both public and private education are available to the youth of our nation. The passage of HR 3471 will have a most deleterious effect on the health and well being of higher education.

Sincerely,

ARTHUR M. GRIFFIN,
President.

BAY DE NOC COMMUNITY COLLEGE,
March 25, 1975.

Hon. JAMES O'HARA,
Subcommittee, Postsecondary Education, U.S. House of Representatives, Cannon Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: I would like to take this opportunity to provide your committee with information concerning the effect the Veterans Cost of Instruction Program has had on the veteran population of Delta County. In 1973, Bay de Noc Community College was given $6300.00 to provide educational services to veterans. The college made a concentrated effort to encourage veterans to take advantage of their G.I. educational benefits. Emphasis was also placed on recruiting those veterans who were unemployed or underemployed.

Through the efforts of the Veterans Coordinator, the veterans enrollment at the college increased from 106 during the Fall Semester of 1972, to 175 in the Fall of 1973. We are now completing our second year of the program and the college is now servicing 364 veterans.

The program has made it possible to provide veterans with a wide range of personal services which include counseling and tutoring. A concentrated effort has also been made to inform veterans of the wide range of training programs available at the college that will provide them with marketable job skills. The faculty of the college has also made every effort to assist the veteran find employment after training is completed. Bay de Noc Community College, and other similar colleges, will be hard pressed to continue many of these services at the present level if funding is discontinued.

I would therefore like to go on record as supporting the Veterans Cost of Education Program. I believe it is in the best interest of our country to assist these young people retrain themselves for satisfying positions in the world of work. I would appreciate your support in continuing to fund this program.

Respecfully yours,

K. JAMES PETERSON,
Dean of Student Services.

SYSTEMS, SCIENCE AND SOFTWARE,
March 25, 1975.

Representative JAMES O'HARA,
Chairman, Subcommittee on Postsecondary Education, Rayburn House Office Building, Washington, D.C.

DEAR MR. O'HARA: The provisions of H.R. 3471 have been brought to my attention. As a Trustee of the University of Redlands, I am very much concerned with the costs of private education. It seems to me that your bill would be detrimental to private colleges and universities, since it appears to reward students attending those institutions with the lowest tuition fees.

Sincerely,

VERNON H. BLACKMAN,
President.

KEYSTONE JUNIOR COLLEGE,
La Plume, Pa., March 25, 1975.

Hon. JAMES O'HARA,
Chairman, House Subcommittee on Postsecondary Education, The House of Representatives, Rayburn Office Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: I write to you concerning H.R. 3471, the Student Financial Aid Act of 1975, on behalf of the presidents and the financial aid officers of N.E.P.I.C.—the Northeastern Pennsylvania Independent Colleges, namely, College Misericordia, Keystone Junior College, King's College, Lackawanna Junior College, Marywood College, Wilkes College, and the University of Scranton.

Located in the economically distressed anthracite region of northern Appalachia, our seven different types of private colleges serve primarily our local diverse population and:

1. Range in full-time enrollment from 300 to 2300 and total 9270 students;
2. Receive in total over 85 percent of our educational and general income from student tuition and fees;
3. Each have student bodies of whom at least 70 percent receive some form of financial assistance.

Each of has read your Bill and your introduction of it as carried in the Federal Register, and we've discussed both documents in detail in separate meetings of the two groups, as well as with other administrators within our respective institutions. This letter then represents the unanimous and very strong views of all the preseidents and financial aid officers of our seven member colleges.

We commend you for your overall interest in higher education and your desire to "bring a student assistance bill to the House floor quite early this year," and thus enable students to receive and institutions to give decisions on individual student assistance awards in time for students to make intilligent and timely choices on whether to attend college, and for institutions to do adequate planning. But we suggest that poor or harmful legislation is worse than late but good and helpful legislation—if indeed such must be the choice.

Although there are some concepts and some specific proposals of H.R. 3471 with which we agree and which we can support, we believe that approval of the Bill in its entirety would be:

1. A great disservice to postsecondary students generally;
2. Seriously detrimental to most independent colleges and universities and;
3. A major thrust toward the destruction of the pluralistic system of American higher education.

Our foremost objections to the Bill include:

1. The lack of comprehensive studies, Congressional or otherwise, to measure the effectiveness of present programs or the impact of your proposals on private institutions in particular and on higher education in general;

2. The apparent lack of sensitivity toward the middle income families, who pay the bulk of federal and state taxes;

3. The willingness to allow the hard-pressed smaller and less affluent independent colleges—such as our N.E.P.I.C. institutions—pass out of existence in favor of "low-cost educational opportunities";

4. An obvious disregard of the total costs to the taxpayer, as well as the overall effects on our democratic system of government and society, of the ultimate results of your proposal, namely, a monolithic system of public higher education which would replace the dual system which has served our country so well for over a century.

We would be willing to go into specifics about the deficiencies and dangers of the Bill, but believe this can be more effectively and efficiently presented directly to your subcommittee by representatives of our state and national professional organizations.

In summary, we strongly urge you to replace H.R. 3471 with a bill which:

1. Is based on sound research;

2. Gives equal and adequate consideration to middle income families, as well as to other segments of our citizenry;

3. Adequately protects and preserves our pluralistic system of higher education;

4. Will be acted upon in time for both students and institutions to make wise plans.

By copies of this letter to our congressional representatives and to some of your principal colleagues we are earnestly requesting their support in opposing H.R. 3471 in its present form as being detrimental to higher education in general and particularly disastrous to the private educational community.

Respectfully yours,

Harry K. Miller, Jr.,
Northeastern Pennsylvania Independent Colleges.

Florida State University,
Tallahassee, Fla., March 28, 1975.

Hon. John O'Hara,
House of Representatives,
Washington, D.C.

Dear Congressman O'Hara: On behalf of the twenty-one thousand students of Florida State University, we would like to thank you for the help you have given students through your work on the Committee on Education in the House of Representatives.

We solicit your support of the following suggestions related to student financial and programs.

(1) We believe that, as the Basic Educational Opportunity Grant (BEOG) is phased in, the Supplemental Educational Opportunity Grant (SEOG) should be phased out. The money now used to replenish SEOG could be used for the very popular College Work Study Program (CWSP). Once the BEOG program becomes available for all students, it will provide assistance to the same population served by SEOG.

(2) Perhaps the current Insured Loan Program could be modified so that interest to the borrower begins when the loan is made, rather than be subsidized by the government until the student graduates or leaves college. The current operation costs the federal government millions of dollars annually. This modification would enable the USOE to shift large sums of money from this program to other programs (CWSP or NDSL).

(3) Student loans might be removed from coverage under the present bankruptcy laws. Unless some action is rather quickly implemented, there will be nothing (except his own moral code) to hinder a student from going into tremendous debt for both undergraduate and graduate work and, upon graduation, claiming bankruptcy. This practice seems already to have begun.

(4) We urge continual funding of NDSL. This low interest loan program gives our institution the kind of flexibility we need in serving the financial needs of many students.

(5) Please continue to push for one percent administrative overhead on the insured loan program. This was on the way out at one time but has faltered. Your assistance in renewing this would allow the institutions to offer more adequate services to students who, in the final analysis, would be the ones to benfit.

We appreciate your leadership in issues vital to education in this country.

Sincerely,

EDDIE J. BASS,
Assistant Vice President and Chief Student Affairs Officer.

MICHIGAN DEPARTMENT OF EDUCATION,
Lansing, Mich., March 31, 1975.

Hon. JAMES G. O'HARA,
U.S. Congressman,
Rayburn Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: Several weeks ago, when I visited with you, you asked me to react to various educational issues and to share, with you, my thoughts and recommendations as to means by which the federal government might properly address the most pressing issues facing the educational community. I commend you for your efforts to seek a wide variety of viewpoints and I, personally, welcome the opportunity to share my thoughts with you from time to time. At the moment, I wish to offer some observations based upon your recent introduction of H.R. 3471, which is cited as "The Student Financial Aid Act of 1975."

I have had a long-standing personal interest in programs of student financial assistance. As you know, from 1960 to 1966, I served as the first Executive Director of the Michigan Higher Education Assistance Authority, which is the state agency, here in Michigan, responsible for the administration of several state-wide student assistance programs. More recently, my service on the national Commission on the Financing of Postsecondary Education has provided me the opportunity to thoroughly examine the present status of various financial assistance programs and the merits of various alternatives, as they impact upon both students and institutions of postsecondary education. I am pleased that your legislative proposal, H.R. 3471, seeks to address many of the most vital issues in the area of student financial assistance, and will serve as a catalyst to bring forth the best thoughts and recommendations of individuals and groups throughout the broad spectrum of American postsecondary education. Without attempting to analyze the entire bill, I wish to comment upon several important issues and programs incorporated in your proposal.

Institutional Aid.—I am pleased that you have removed institutional aid from your student aid proposal and have incorporated this as a separate bill, H.R. 3470. This will serve to separate institutional aid from student aid and, hopefully, will avoid some of the competition between those who favor emphasizing student aid and those who favor emphasizing institutional aid. It is my personal judgment that the federal government should focus its efforts and funds on student aid and leave the major responsibility for institutional aid within the individual states. Any federal funds in the form of institutional aid should, in my judgment, be categorical in nature, with emphasis on certain priority projects such as graduate education, research, and facilities grants. The allocation of federal funds for widesperad general institutional aid would, in my judgment, be inappropriate and would result in annual pressures for increased federal funds that would eventually end in total federal control of higher education. This would be a serious mistake.

Basic Opportunity Grants.—One of the major goals identified by the National Commission on the Financing of Postsecondary Education was that of equality of access. In my opinion, the federal government should appropriately assume a major responsibility for insuring equality of access and I view the Basic Opportunity Grant Program, with its entitlement concept, as the primary vehicle to insure achievement of this goal. Accordingly, I disagree with your suggestion that the maximum basic grant be reduced from the present authorization level of $1,400. I recognize your overriding interest in reducing tuition levels, but it must be recognized that, at most public institutions, tuition costs represent only a relatively small percentage of total educational expenses.

Thus, I feel it is inappropriate to reduce the maximum amount of the basic federal grants which can be used to offset all legitimate educational expenses, not simply tuition charges. Furthermore, a reduction in the maximum basic grant will seriously threaten students' freedom of choice in selecting nonpublic institutions with their inevitable higher costs. Thus, I would propose that the Basic Grant Program be retained in essentially its present status, with no reduction in the maximum stipend.

Supplemental Opportunity Grants.—I recognize that your recommended changes in the Basic Grant Program are coupled with your proposal that SOGs be used to support students, based upon both financial need and academic promise. I feel that it is totally inappropriate for the federal government to be involved in a nation-wide program of "academic scholarships." I feel that such a program will quickly become an administrative nightmare and, furthermore, I seriously doubt that very many students of exceptional academic ability are presently being denied educational opportunities. There are numerous sources of financial aid for the truly outstanding students, some of these privately funded, many of them provided through direct state appropriations (as is, indeed, the case here in Michigan) and most colleges and universities give a high priority to aiding students with exceptional ability. In my opinion, the "forgotten" students are those of average ability from middle-income families and students from deprived circumstances, who still are not fully served by our present arroy of existing programs. I would recommend that the present SOG Program be eliminated and the funds be used to support an expanded Basic Grant Program and an expanded State Incentive Program.

Work/Study Program.—I concur with your praise for the present College Work/Study Program and I fully support your proposal to expand this program, both in terms of dollar amounts and in broadening of student eligibility requirements.

State Scholarship Incentive Program.—I commend you for your recognition of the important role which can be played by State Scholarship and Grant Programs. I heartily endorse your proposal to increase funding for these programs and to provide states wide latitude in the type of programs to be supported through this funding. It seems to me that this program represents proper use of federal leverage to stimulate increased state support of postsecondary education. At the same time, it recognizes that each state has the responsibility, and is in the best position, to determine unique needs within its educational system. I am not certain, at this point, if I can support the specific procedures by which SSIG funds would be allocated to individual states, but I do support your intent to take into account total state efforts rather than simply allocating funds based solely on enrollment counts.

Guaranteed Student Loans.—I support your efforts to phase out the direct federal insurance of student loans, in favor of strengthening and, where necessary, establishing state guarantee agencies. Some of us have argued, for many years, that it was a serious error to establish a Direct Program of Federally Insured Loans, and we have resented Office of Education administrative policies which have seriously impaired and discouraged those states, including Michigan, which have, for many years, supported their own guarantee agency. I concur with your proposal to eliminate educational institutions as eligible lenders under the GSL Program, but I strongly disagree with your recommendation that state agencies be prohibited from serving as direct lenders. While I share your concern about students being burdened with excessive loans, reality suggests that a broadly accessible source of loan assistance will continue to be necessary for many students for many years to come. Reliance on the private lending sector will never provide universal access to loan assistance and for this reason I feel state agencies should be permitted to serve as direct lenders. The limitation of federal reinsurance to 80% of defaulted loans will serve to moderate state agency lending and insure a program of reasonableness and integrity.

NDSL Loans.—I support your proposal to end federal capital contributions to the National Direct Student Loan Program. This program tends to duplicate the services of the existing Guaranteed Loan Program, and serves as a source of confusion and duplicate borrowing on the part of some students. I might suggest that institutions be given the option of using the proceeds of their current NDSL loan funds to support academic scholarships, if the institutions choose to act in this manner.

As a final note, [illegible] it does not relate directly to H.R. 3471, I would urge that consideration be given to allocating a portion of this year's unused Basic Grant appropriation to supplement State Student Incentive Grants. For 1975–76, Michigan will receive approximately $880,000 in SSIG money, but our state efforts would qualify us for several million dollars additional, in the event federal funds were available. Rather than carrying the full $135 million in unused BOG funds over to next year, I would support allocating a portion of that money, perhaps 20%, for the SSIG Program.

I realize that my comments hvae been quite lengthy, but I feel that the various student assistance programs are of major importance and worthy of the careful consideration of everyone associated with postsecondary education. I would be happy to discuss any of these issues with you in greater detail and, if you are in need of specific information concerning the impact of the federal programs upon our institutions here in Michigan, please contact Mr. Ronald Jursa, Director of our Student Financial Assistance Services, who has direct access to the detailed information.

Sincerely,

John W. Porter,
Superintendent of Public Instruction.

April 1, 1975.

Hon. James G. O'Hara,
Subcommittee on Postsecondary Education,
Cannon House Office Building, Washington, D.C.

Dear Congressman O'Hara: Thank you for your letter of March 20th and for your kindness in forwarding me a copy of H.R. 3471 and your introductory remarks.

After carefully studying both, my initial reaction is: Bravo! Bravo! Mr. Chairman. You have been listening, and watching too, I suspect. I read into your efforts, and those of your committee, many more positive thoughts than negative ones.

You have kicked a few sacred cows. As a relatively irreverent Irishman with an abiding respect for all things so classified, I believe, however, that some sacred cows, from time to time, need to be properly prod.

Your willingness to face difficult questions and contemplate even more difficult solutions by creating a forum for the comprehensive review of the problems of student financial aid and our national interest must be lauded.

Your invitation to comment for the hearing record is sincerely appreciated. Please do accept the attached with my thanks for being permitted to participate in your deliberations.

Sincerely and respecfully,

James M. Reynolds,
Dean, Admissions/Financial Aid.

Enclosure.

Mr. Chairman: I am Jim Reynolds, Dean of Admissions and Financial Aid at New Hampshire College in Manchester, N.H. I sincerely appreciate the opportunity to offer testimony to your committee regarding House Resolution 3471.

For the purpose of further introduction, Mr. Chairman, permit me to state that I have served several terms (3) and am currently the president of the New Hampshire Association of Student Financial Aid Administrators.

I am also a member of the Executive Committee of the Eastern Association of Student Financial Aid Administrators and a member of both the National Association of Student Financial Aid Administrators and the National Institute for Financial Aid Administration.

It is my pleasure also to serve as vice president of the Board of Trustees of the New Hampshire Higher Education Assistance Foundation, the agency which administers the state student loan program here in the State of New Hampshire. I have authored or co-authored legislative proposals in the field of student aid and have dealt with administrative details of such programs since becoming a college administrator in 1958.

The thoughts, comments and remarks which follow are exclusively mine and do not necessarily reflect the views of my institution and associations. The time frames with which we have to work have prevented me from obtaining the detailed analysis of my colleagues; but the initial reactions which I have heard tend to cause me to believe that there will be a wide range of varying reactions from both postsecondary and student aid communities.

Whose ox is being gored is often reflected in the general reaction to proposed innovative ideas, but your introductory remarks indicate a willingness and desire to create an open forum in which the problems of student aid and the national interest can be fully reviewed. Such a review is long, long overdue and I salute and cheer your courage.

At New Hampshire College we recognize and acknowledge that economic ability relates only too often to student access to postsecondary opportunity. We have therefore ordered the functions under a single dean whose responsibilities insist on equal consideration of both problems and their relationship to each other. The U.S. Office of Education has not always appreciated such a relationship; but then often reality seems to mystify certain personnel across the street there in Washington.

Our curernt programs, their delivery systems and our postsecondary institutions have failed. Our intentions, I'm sure, have been pure but our performance has left much to be desired. Why we have failed, I am not sure. That we have failed, I am positive.

Examination of our current financial aid programs and the situation which exists in our colleges and universities across the nation, must lead one to believe that your in depth review is necessary and good.

It seems to me that we have permitted ourselves an infatuation with the thought that "student aid funds must go first to the neediest students".

On the surface the philosophical thought is not alarming; but in reality short shift has been given to the consideration that there is such a thing as throwing good money after bad. We have not been prudent. Individual student motivation and the ability to successfully complete the training/educational program desired too often has not been even considered, never mind measured.

Some postsecondary institutions have accepted, in fact identified, encouraged and recruited, students on the sole basis of the resources such a student might bring with him to the institution. I submit that such actions have been taken in the interest of the fiscal well being of the institution and not in the best interest of the human beings we ought to be considering. This is indeed an indictment of the administrators of the institutions.

Before we zero in and come down altogether too hard on the institutions, we might do wel lto reflect that the identification and recruitment of disadvantaged students has been required under many of the statutes enacted since 1958. The rules and regulations drafted under enabling legislation have encouraged reasonable risks towards a common good.

Appropriated funds have been "targeted" mostly towards low income students and the term disadvantaged has been defined as not being restrictive to economic resources alone.

Before you reach the false conclusion, Mr. Chairman, that I am against low-income and/or disadvantaged students, let me indicate that my opposition is to poorly thought-out, unresponsive programs which don't work.

We have had some difficulty with the terminology, definitions, operations and expectations of the programs currently on the books. We have flirted with absolute need, relative need, assumed need, calculated need and all the while have failed to define "need".

The U.S. office of Education, College Scholarship Service, American College Testing Service and others have done their thing, rarely agreed and must be relegated to having devised rationing systems for available funds as opposed to any "national standard" which might serve the interests of all of our people.

"I guess I'm just not poor enough to get help, but I know I'm not affluent enough to be without the need of it", is only one of constant bitter complaints I have heard over the years from disgruntled middle-income, hard-working, tax-paying parents who are unable to pay the costs of educating and/or training their offspring beyond high school.

Our programs and their delivery systems have frustrated our people. We have managed to create, quite accidently, a new "poor class", the middle income families, have helped corrupt our postsecondary institutions by permitting the collapse of their academic integrity while forcing them to hustle a buck on behalf of survival and have failed to achieve our goal which, I assume, is a higher standard of living for all Americans through increased productivity made possible by postsecondary training/education.

The hue and cry, moaning and groaning concerning our failure has risen on high across the country; but I submit that the failure has been earned and is deserved. We have been, until this time, unwilling to ask the hard questions to which there are no easy answers. The needs and the times both change and so should our programs and responses. It is for these reasons that I must encourage your open forum and wish you, the members of your committee and your colleagues in the Congress, success in finding solutions.

Your proposed bill, House Resolution 3471, is refreshingly innovative and though I will be troubled by some of the mechanics involved and unable to support all your suggestions; I like it, in general, and will work hard to promote many of its more positive considerations.

Your thoughts concerning the Guaranteed Student Loan Program (GSL) are well founded. I can readily endorse your plan to have all lenders operate under a state agency agreement and the state in turn be reinsured by the federal government. Local evaluation of lending activities will prove much more sensitive to the proper considerations.

The Federally Insured Student Loan Program (FISL) has become a monster with an unending appetite administratively and has not served well the best interests of either the students or the nation.

Hearty support should be forthcoming for your idea to limit lenders under the GSL Program by excluding educational institutions. It is extremely prudent for most educational institutions lack expertise in credit evaluation and the collection of loans. I have long thought that lending institutions and educational institutions should have an agreement. They should not award certificates or degrees and we should not make their kind of loans.

Because guaranteeing and funding student loan programs are two different activities, I do wish that something could be done to encourage lending institutions to invest a greater percentage of their portfolios in such loans. Perhaps increased, more realistic subsidization might be the answer. A decrease in the amount of paperwork required for such loans would also be helpful.

While loan amount should bear a relationship to need, selection for a loan should contain some evaluation of the repayment probability. Is the student undertaking a program of study he/she should be able to complete? Is his/her earning potential, on the basis of the career preparation selected, sufficient enough to indicate repayment ability?

Delinquency/default experience can be improved considerably by the considerations aforementioned and by vigorous pursuit of collections. Reasonable exclusion of student loans from bankruptcies and collection assistance where and when required would go a long way toward solving some of the difficulties we have had in the past.

The National Defense, now Direct, Student Loan Program has served us well, or at least better than GSL/FISL Programs. Your desire to set the revolving nature of the program in motion at this time does not come as a shock and is supportable. I would ask that you consider a somewhat different approach as regards complete elimination of additional, new capital contributions to the program.

In measuring the overall national effort to support student aid programs and postsecondary education, determine the desired mix of types of assistance. Provide for the relationship of the NDSL program to other programs which will be initiated or continued and determine a per capita support for this program. Keep the institutions themselves involved and armed with a little flexibility. For example if it was determined that $100 per student would be an adequate program, then you might proceed as follows:

The amount of the revolving NDSL fund at each participating institution would be limited to $100 per enrolled full time and full time equivalent student. Projected collections would be based on 10% of the outstanding balances of those student borrowers out of school, whether paid or not in a given year, and additional FCC would be provided only to the extent necessary to provide the level of funding determined by the $100 per capita formulae. New funds could be restricted further by adjustment to actual receipts over and above the 10% projections owing to accelerated repayments.

I still hold to the principle that a package approach to the problems of financing a postsecondary education is desirable. I don't believe that the benefits of a postsecondary education ought to be handed to anyone. There are no more free lunches, anywhere. Self-help is important from several points of view and I regard work and loans in that category. We should prohibit over borrowing; but be realistic in what it takes to get the job done.

Your inclusion of an academic factor in the operation of the Supplemental Educational Opportunity Grant Program (SEOG) is a most positive recommendation. However, it does not take the same ability level to succeed or excel in every worthwhile postsecondary endeavor and I must take exception to the use of the National Merit Scholarship Qualifying Test as the measure of potential.

While willing to admit to the importance of training a brilliant mind so that it may contribute to all of our society as a scientist or philosopher; I opt for recognizing equally the importance of getting my car fixed right when it is required.

High School record, if entering a postsecondary institution directly from high school, and current level of performance if enrolled and studying on the postsecondary level, have been among the more reliable indicators of success in my experience. Though I must admit to the exceptions which prove the rule as far as I'm concerned, past performance seems to be the most consistent measure available to us.

It is not possible for me to support the idea that any student's entire financial aid package be limited to ONLY gift assistance. There should be room left for a self-help factor, work or loan, as the involvement of the individual is necessary to his/her commitment to the arrangement.

I am comfortable with the idea that assistance be restricted to the limits of demonstrated need and that need should be the product of an acceptable need analysis method. Selection might well include some factor(s) in addition to need; such as scholarship or performance restrictions.

If successful in moving away from the federal money to the neediest students *first* syndrome, we should then try to focus on two other considerations. Currently most of the programs target their funds to low-income students. Might not we have a base program which addresses itself to those low-income students and then have other programs which pick up where the base program leaves off. At the level of support of the base program all students would be equalized and provided with increased equal access on the basis of a parental support rationale which would be sensitive and responsive to carying family circumstances such as the number of working parents, family size, the number of dependent children engaged in postsecondary education and other factors.

Secondly, let's focus on the national interest and the greatest good for the greatest number of our citizens. I am troubled by contemplating what we should do given a set amount of funds and varying needs of individual students. For example, if we had twenty students with $5,000 worth of demonstrated need each and one hundred students with demonstrated need of $1,000 each and only $100,000 with which to work; how should we proceed?

My dilemma surounds my inability to support giving all the money to the first twenty students while also being uncomfortable with the thought of assisting the one hundred students. As difficult a question as this poses for me I submit that a reasonable answer and approach is required.

Except for some difficulties in projecting participation levels in a given year, the Basic Grants program must be judged successful to date. We would all hope for a somewhat higher base level of support than provided for in your proposed legislation; but will have to share your implied thoughts that the federal government ought not be the only one involved in programs of assistance.

Freedom of choice as regards programs of study and selection of institution, provided for under the Basic Grants Program, should be maintained. Some of the other lessons learned from the operation of that program should not be lost on us either; but will be noted further on in my comments.

Your suggested allocation formula for State Scholarship Incentive Grant funds would put us at a considerable disadvantage here in New Hampshire, under current circumstances; but I must view your approach as equitable and entitled to full support.

Your approach to dealing with a family's assets in need analysis should be lauded. I do recommend that assets outside of the family homestead and income producing farms and/or businesses, should be measured carefully and fully taxed. There is a difference between liquid and non-liquid assets.

It is not possible to imagine anyone taking exception to your desire for a stated, equitable refund policy for all students, at all institutions. I know that such exceptions will be made; but they will be without substantive foundation.

Working has proven beneficial in many ways and I would *have to concur* with your desire to expand the college work-study program. It has been our most successful student aid program to date.

The Student Financial Aid Act of 1975 holds much promise; but if we expect more success in the future than we currently have or have had in the past; a massive training effort will be required.

The level of expertise in financial aid administration varies greatly from institution to institution and therefore our current programs serve students and institutions in an uneven and inequitable manner.

The Basic Garnts Program has taught us an important lesson that we should not lose sight of. Financial aid expertise is required at *both* the secondary and postsecondary level. Vastly expanded training programs, at both levels, should be planned and adequately funded if our delivery systems are to work.

The opportunity to present my views and comments to this committee is greatly appreciated.

KEAN COLLEGE OF NEW JERSEY,
Union, N.J., April 1, 1975.

Hon. JAMES G. O'HARA,
Congress of the United States,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN O'HARA: It is difficult for me as an aid officer with fourteen years of experience in a state college that serves middle and low income urban students to study the changes in student aid programs that you are proposing with anything but concern. First, is my concern that federal programs are started and altered so frequently and often so late (in relation to a given academic year) that they do not become stabilized or have time to prove their worth. Neither colleges and aid officers nor especially students and parents have time to do their part in making programs function effectively before there are changes that may reflect immediate social or political pressures and economic conditions rather than long term goals.

One can understand the need for more coordination and simplification of federal programs, a need that is being recognized in the work of the Keppel Commission. Administrative problems aside, the purpose of federal programs consistently has been to aid the needy student, to provide access to college to students who might not otherwise be able to attend, and to encourage colleges to admit and assist disadvantaged students. I believe it is important that these goals continue to be paramount in financial aid program planning. Some of the proposals in HR 3471 seems to me to be in opposition to these goals.

The proposed limit of $600.00 on BEOG awards is too low to support adequately the average low income student even at public colleges if the only additional resources are to be loans and jobs. It is totally inadequate for the disadvantaged student who might seek entry to a private college, unless he is a superior student. It is unrealistic to expect colleges in these times of fiscal shortages to have enough funds to encourage enrollment of the average scholars from the disadvantaged.

The effect of unlimited grant funds up to full cost (minus the parent's contribution) for students on the basis of merit is to establish full support for an elite college population, a concept that the United States has not endorsed for many years. The merit concept will enable a few to be aided and may help the most prestigious of private colleges but will leave less well-known private colleges and practically all public colleges without needed federal funds. Without NDSL and SEOG funds, the college aid officers will not have the flexibility at the level where students are known best to provide the aid needed for individual and unusual problems.

I recognize the need for some revision and reform to provide the best aid possible for the largest number and to make the most effective use of federal dollars. Why then dilute the effect of BEOG funds by extending the awards to all part-time students, even those attending less than half-time? Why eliminate all assets from BEOG consideration rather than raising the asset allowance or excluding home equity? Why abandon the need concept from Work-Study rather than modifying or liberalizing it slightly?

Aid officers are concerned as you are with improving aid programs. We believe that a good measure of the aid awarded needs to be decided at the college level where the students are and where there is flexibility to make adjustments more quickly and easily than is possible in a massive centralized operation. Your consideration of these questions and comments will be appreciated.

Sincerely yours,

Clare Davis,
Director of Financial Aid.

April 3, 1975.

Congressman James O'Hara,
U.S. House of Representatives,
Washington, D.C.

Dear Congressman O'Hara: I have just returned with my son, Mike, from Oakland University where we went seeking Financial Aid for his college expenses for the year 1975–76. We have been refused, and needless to say, I am very disappointed. The Financial Aid officer was very sympathetic with my problem, but nevertheless he refused to consider either of my two children for financial aid this year.

My husband and I are the parents of 9 children—ages 18 to 5. All are in school. One in college, 3 in highschool, 1 in junior high, and 4 in elementary school.

Inherent in our backgrounds is the pride and accomplishment of home ownership. However, we now find that this is a liability to our two college-age children. The home we live in was purchased for $23,500 ten years ago. It is a 40 year old home separated from the business district only by a church. At the time we purchased it, we felt its central location was convenient for raising a large family. However, using our ever-increasing property tax as a guide, the market value is set at $37,000. Because of this, we are not considered for financial aid. It matters not that the equity was built up because of our hard work, and we are constantly chipping away at our present mortgage. Had we chosen to spend our money another way instead of striving for that almighty pride of home ownership, our children would not be penalized by not receiving aid for their education. Incidentally, today was the first time I have ever sought financial aid from anyone for anything!

If we had a mortgage of $30,000, owned two or three cars, bowled once or twice a week, ate out once a week, visited professional barbers (my 5 boys have never been in a barbershop—haircutting is done by me once a month, took a vacation each year, paid professional painters to paint our wooden-sided home instead of struggling with extension ladders, purchased convenience foods instead of home canning, and baking bread from scratch, if I visited a beauty shop once a week, or if I bought all ready-made clothes for my family instead of sewing and patching overalls, then my kids could get financial aid! We've been trying to set a good example for our family, trying to instill pride—to make them think it is better to work hard and make it on your own rather than go on welfare, collect unemployment checks, etc; but it seems a hard job to convince my 17-year old son after today. He was told that because he has a saving account, it will also be held against him! Imagine—just because he has had a paper route since the age of 11, cut lawns, raked leaves, shoveled snow, baby sat, and cleaned a real estate office early every Sunday morning, and saved every dime, we found out now that if he had laid on his back and watched television like some of his friends he could have gotten aid to help with his college. I was surprised to find myself *sorry* that he was able to save almost $900 by careful handling of his money.

My husband's *gross* income for 1974 was $22,000. By Oakland University's calculations, it costs $2900 to support a resident student at Oakland, or $2600 to support a commuting student to Oakland. According to those figures for our two commuting students, it would cost $5,200. Subtracting that from my husband's gross income, it leaves $16,800 to support the other 9 of us, or $1,800 each per year.

I am very proud of everything my husband and I have accomplished in our 20 years of marriage. Our family has brought us much happiness and numerous compliments. I watch my husband go to work each day with a great deal of admiration—knowing how difficult it was for him to receive his education. After serving in the Korean War, he started college. His entire B.A. and M.B.A.

degrees were accomplished at night after our marriage. His usual schedule was three nights a week at the downtown campus of U. of D.—an unpleasant drive (to say the least!) Keep in mind that this was during the years we were having our nine children. It took him 13 years of high school to achieve his goal. Now, it appears our children will have to *pay* for their father's success. How sad—neighbors of ours who have nothing (because of their own laziness) are getting financial aid that we have been denied.

Based on the economic situation of today, and supporting the eleven of us, I can see no way on my husband's salary of $22,000 that we can also pay for two children to go to college this year (and three next year, and four the following!)—even when the college is in a neighboring county and not necessarily the college of our choice. Again, we're being economical. I see that as only $2,000 per year per person, not a very generous amount when you consider five of our children are teenagers.

I'd like to have your thoughts on this situation and hear whether you agree with the present criteria set for attaining financial aid. I might add that my daughter finished 10th in a class of 310 and my son who will graduate in June is presently carrying a 3.6 average.

Sincerely yours,

(name deleted)

Ohio Board of Regents,
Columbus, Ohio, April 8, 1975.

Hon. James G. O'Hara,
House of Representatives,
House Office Building, Washington, D.C.

Dear Mr. O'Hara: As the director of Ohio's grant program and the only black person in the country in this type of situation. I have been extremely distressed with what has been happening in higher education since 1972. The decisions that are made by the U.S. Congress directly affect our program here in Ohio, and I am sure in all other States with similar programs.

The primary intent of the Ohio program is to assist in eliminating the economic barrier that has traditionally stood between low income students and access to higher education. From the 1970–71 academic year to the 1972–73 academic year, the Ohio program and the Federal programs of student financial aid, together as a package, established significant gains in the number of black students and poor students achieving access. We were on our way to achieving this primary goal of access, but we still had a long way to go.

The higher education amendments of 1972, the under-funding of the basic grants program, and the continued utilization of a delivery system that had worked only under force in the form of administrative targeting requirements, have all functionally reversed the goals and commitments made in the 1960's.

Next, the actions of the college scholarship service who under political pressure from segments of the institutional financial aid community reduced radically the family contributions of middle and upper middle income students, literally opened the door to a complete inverting of priorities and goals. The Associate Commissioner of Education, John Phillips, attempted to arrest this blatant attempt to channel millions of dollars of Federal funds away from poor students and black students and toward the constituency that higher education has wanted to serve and has traditionally served—middle and upper class white students.

Finally, statistics have been inflated to a point of absurdity regarding the volume of poor and black students enrolled in higher education as a result of institutional commitment and Federal financial aid. It is too bad that the Ford Foundation Grant awarded Howard University for the purpose of trying to determine exactly how many blacks are indeed in higher education did not also include poor people in general.

For your information and use, I am including the following:

1. "The 5940 Report." This is a report that indicates what happened in Ohio during the 1973–74 academic year in the Ohio instructional grants program.
2. A summary statistical report on the Ohio program which indicates that the trend started in 1973–74 continued in 1974–75.
3. "A Statement on the Ohio Instructional Grants Program." This is my latest paper concerning these problems and it provides a list of recommendations concerning Federal programs of student aid.

I sincerely hope that strong consideration and study will be given to the input that I have provided and I will continue to struggle against those forces that would deny access to blacks and poor people.

Sincerely,

CHARLES W. SEWARD, III,
Director—Student Assistance Office.

Enclosures.

A Short Summary of the Attached Report "The 5940 Report"

(A report concerning the volume loss of 5,940 low-income students in the Ohio Instructional Grants Program for the 1973–74 academic year)

The Ohio Instructional Grants Program for the 1973–74 academic year, experienced a significant decrease in the number of participants in the less than $10,000 income categories. As a result, only $17.3 million of an $19.8 million appropriation was utilized. The attached report provides an explanation for this decrease and recommendations to correct the situation. The following is a summary of the report.

1. During the first 3 years of the program more low-income students were able to attend college because of the Ohio Instructional Grant awards provided. Low income for the purpose of this report and in conjunction with Federal definitions is less than $8,000.
2. The Ohio Instructional Grants Program has made it possible for more Black students to attend Ohio colleges and universities.
3. Because of legislative and policy changes in three Federal financial aid programs, middle-income students were able to receive benefits for the first time during the 1973–74 academic year. Middle-income for the purpose of this report and in conjunction with Federal definitions is $10,000–$15,000. The $8,000–$10,000 range is considered a fringe area and could be categorized as either low-middle income or low-income.
4. No additional funds were appropriated in these three programs by the Congress to accommodate this new population, hence, funds previously directed at low-income students were diverted to middle-income students. This diversion was prompted by the institutions' manipulation of need analysis and reduced emphasis in recruitment of students from low-income families.
5. Recruitment of low-income students was decreased at the institutional level during the 1973–74 academic year.
6. The end results—a loss of 5,940 low-income students in the 1973–74 Ohio Instructional Grants Program.
7. Part of the solution—An increase in the Ohio Instructional Grant amounts for low-income students.

The 5940 Report

(A report concerning the volume loss of 5,940 low-income students in the Ohio Instructional Grants Program for the 1973–74 academic year)

BY: CHARLES W. SEWARD III, DIRECTOR, STUDENT ASSISTANCE OFFICE

In 1969 it became apparent that the Federal programs of student financial aid (the National Defense Student Program, the Educational Opportunity Grants Program, and the College Work-Study Program) were not providing adequate resources that would assure access to higher education for all students and especially low-income students. The major problem was one of funding. Historically the Congress has never fully funded these programs and this fact includes 1970 through 1973 as the historic reference. The range of funding for these programs has been between 40% and 65% with the Educational Opportunity Grants Program receiving lowest percent. Ironically, this is the program that had been directed, exclusively, at low-income students.

Therefore, in order to provide assistance for Ohio's needy students, the Ohio General Assembly enacted the Ohio Instructional Grants Program in 1969, and it went into effect for the 1970–71 academic year. This program is intended to provide a financial floor of assistance for Ohio's needy students and has as its primary target low-income students. As a comprehensive program of financial assistance there are other important purposes attended by this program. However, for the purposes of this report, I shall relate only to this primary goal.

The program was improved during the 1971–73 and 1973–75 bienniums. The Table of Grants have been increased and expanded during the previous four years in response to the increased costs students faced, the effects of inflation and in response to Federal programs and Federal funding of these programs.

The following figures indicate that access to higher education for low-income students and minorities has been improved and that indeed more students are in college today because of the Ohio Instructional Grants Program and many others have remained in higher education who otherwise would not have been able to, if it were not for the existence of the program.

	1970–71	1971–72	1972–73	Total gain
NUMBER OF STUDENTS				
Gross income:				
$4,000 and under	3,583	6,162	7,442	3,859
$4,001 to $4,999	1,695	2,306	2,646	951
$5,000 to $5,999	1,797	2,247	2,996	1,199
$6,000 to $6,999	1,735	2,512	3,118	1,383
$7,000 to $7,999	1,768	2,991	3,551	1,783
NUMBER OF BLACK STUDENTS				
Adjusted effective income:				
$4,000 and under	2,035	2,181	2,999	964
$4,001 to $4,999	601	668	967	366
$5,000 to $5,999	500	667	948	448
$6,000 to $6,999	420	641	939	519
$7,000 to $7,999	350	643	894	544

The amount of Federal funds available to low-income students during the past 3 years has not increased appreciably, and have never been fully funded. However, the availability of the Ohio Instructional Grants made it possible for the institutions to spread out the available Federal funds to more students. Hence, the Ohio Instructional Grants Program has made access to higher education available to more low-income students.

This does not imply that the program has effected an overall increase in enrollment at the public or private sectors since there are variables other than the financial considerations that affect enrollment and in regards to the private colleges specifically, although the program differentiates the grant amounts between the public and private schools because of the higher costs at the privates, the program is not a tuition equalization program. Thus, the program has not stopped the downward trend of enrollment at private colleges. However, many financial aid officers at private colleges indicate that the program has slowed down the loss and for some made it possible for them to hold the line.

The overall upward trend in the number of Ohio Instructional Grants recipients was as follows:

	1970–71	1971–72	1972–73	Total gain
Black students	3,652	5,892	8,719	5,067
All students	14,504	29,970	36,561	22,561

The 1973–74 academic year, however, shows a different picture. For the first time, there was a reduction in the number of students within the $10,999 and under, adjusted effective income categories.

The Ohio General Assembly provided both an increase in grants and an upward expansion of income in the Ohio Instructional Grants Program for the 1973–75 biennium. The maximum grant levels were increased from $510 to $570 for students attending Ohio public institutions and $1,200 to $1,320 for students attending Ohio private colleges. The maximum adjusted effective income level of $10,999 was expanded to include students from families in the $11,000–$13,999 adjusted effective income category. An appropriation of $19,[illegible]0,000 was provided for the 1973–74 academic year and $21,300,000 was provided for the 1974–75 academic year.

During the 1972–73 academic year, *36,561* students utilized *$15,594,988*. It was projected that an additional 12,000 students would participate in the program during the 1973–74 academic year. The inclusion of the $11,000–$13,999 adjusted effective income category for the first time was the basis for this expectation of an additional 12,000 students participating in the program. Thus, approximately 48,000+ students utilizing some $19,800,000 was projected for the 1973–74 academic year.

However, due to the fact that these improvements were not enacted until June 30, 1973, it was believed that this 12,000 figure would not be fully realized. High schools were closed for the summer and the colleges and universities were out for the summer. Thus, a real problem existed in terms of informing newly eligible students that they should now apply for grant consideration.

At the beginning of the Fall 1973 term, all participating institutions submitted 37,292 award certificates for payments totaling $17,708,187, an increase of 3,724 over the previous year.

However, it became apparent that unless an exceptionally large number of students applied for partial awards for the second semester or second and third quarters, we were going to fall far short of the projected 48,000 student total.

As of December 3, 1973, which is the deadline for receiving applications for partial award consideration, some 3,888 awards were made totaling some $1,135,860. Of course, there will be a slight attrition due to no-shows, but using these figures as a basis for total participation will not significantly affect the final totals for the purposes of this report.

Thus, 41,247 students have been granted and utilized awards totaling $18,844,047. In-school attrition will account for an 8% reduction in dollar utilization, thus reducing the dollar total to $17,336,524. Therefore, from an appropriation of $19,800,000 some $2,463,476 will go un-utilized.

Inasmuch as *36,561* students utilized grants during the 1972–73 academic year, one might assume of the 41,247 students utilizing awards for the 1973–74 academic year, that *4,686* were new students in the $11,000–$13,999 adjusted effective income category included in the program for the first time. This assumption meant that we fell far short of the expected 12,000 students from this income category. This was the assumption made by this office when these totals were initially computed.

However, as detailed information became available from computer printouts, it was apparent that this was a false assumption. It has been determined that 9,566 students in the $11,000–$13,999 category were submitted for payment out of 11,600 in this income category who were determined to be eligible and notified prior to the start of the academic year, with 2,034 students in this income category becoming no-shows. Thus, it became apparent that in terms of numbers, we had lost several thousand students from the 1972–73 program. Table A indicates that 98 students were gained in the $10,000–$10,999 income category over 1972–73 totals, but that 5,940 students were lost in the $9,999 and under categories. A net loss of 5,842 students.

What happened, to whom and why?

In an attempt to illustrate a changing pattern in the mix of students within the program for the 1973–74 academic year as compared to the 1972–73 academic year. Table B provides the actual number of applicants during 1972–73 and in the same income categories the number of applicants for the 1973–74 academic year. This illustrates clearly that far fewer applications in the low-income categories were submitted in 1973 as compared to 1972. There is also an established pattern that indicates that the loss in applicants is directly related to the income levels. Indeed, at the $10,000–$10,999 income level, there was an increase of 206 applicants in 1973. And of course, a significant total of 11,600 applicants in the $11,000–$13,999 income category.

Chart A indicates that there was a significant decrease in low-income students during the 1973–74 academic year participating in the program. Nearly 62 percent of this increase occurred in the $6,999 and under categories and 76 percent in the $7,999 and under categories. At the same time, 9,664 new students appeared in the program at the $10,000 and over categories representing 25 percent of the total grant recipients who utilized their awards.

Concurrently, chart B indicates that there was a significant decrease in applications from low-income students during the 1973–74 academic year. Nearly 78 percent of this decrease occurred in the $7,999 and under categories. Again, there was a tremendous increase in new students at the $10,000 and over categories representing 25 percent of the total applicants for the 1973–74 academic year.

An overall changing pattern is apparent in terms of emphasis in recruitment and packaging financial aid of low-income students. Charts C and D provide detailed data by institution which corroborates this assertion. Although, on the average, there was an overall gain in Ohio Instructional Grant participants in 1973–74 as compared to 1972–73 (full-year awards, only,—3,726) in the $10,999 and under income categories, there was a significant overall reduction of participants in 1973–74 as compared to 1972–73 (full-year awards, only,—5,842). Within the state university category, only two institutions deviated from this pattern, Central State University and Cleveland State University.

There was no clear or logical pattern established within the two-year public community colleges and technical colleges. With the exception of one technical college, all of the two-year institutions experienced an overall gain in 1973–74, but there was a definite mix in terms of losses and gains in the $10,999 and under categories between 1972–73 and 1973–74. When considering the basic purposes of two-year community and technical colleges, their geographic locations and the population served in terms of social, economic and racial components, such differences are to be expected.

The pattern for the private colleges as illustrated in Chart D is quite similar to that of the state universities. There was an overall increase in students in 1973–74 as compared to 1972–73, and an overall decrease in the $10,999 and under categories.

Finally, the overall effects of this dramatic loss of students is analyzed in regards to the Black student population within the program. Table E indicates that there was an overall gain of 301 Black students and a gain of 94 Black students within the $10,999 and under category. However, 28 private colleges out of 52 showed a loss of Black students in the $10,999 and under categories in 1973–74 as compared to 1972–73. As a group, these 28 colleges experienced a reduction of 113 Black students in the $10,999 and under categories. The public institutions also experienced a gain of 1,014 Black students during 1973–74 and a 339 Black student gain in the $10,999 and under categories as compared to 1972–73. However, seven of the state universities experienced a reduction in the $10,999 and under categories as compared to 1972–73 resulting in a loss of 284 Black students. Ten of the technical and community colleges experienced a reduction of 19 Black students in the $10,999 and under categories in 1973–74 as compared to 1972–73. Thus, a few schools showed enough gains to offset the losses of the majority. However, the overall pattern regarding Black students is much the same as the overall pattern for all students in the $10,999 and under categories.

Now, the question of "Why?" must be answered. An examination of those variables that may have had a negative effect upon the program in 1973–74, but were not present during the 1972–73 academic year will provide a process of elimination by which a determination can be made as to the most likely causes of the reduction of participants in the $10,999 and under categories by 5,940 students in 1973–74.

During the 1973–74 academic year the inclusion of the students' earnings and a modification of criteria for Independent Students may have had an effect in the number of participants from the 1972–73 academic year. Of all the 1972–73 recipients who reapplied in 1973–74, 994 were determined ineligible because the family income exceeded the maximum limit established in the tables. However, in 90 percent or more of these cases the parental income alone was the determining factor. There was a reduction in the number of Independent Students in 1973–74 as compared to 1972–73, but this reduction is directly related to the reduction of the total 1972–73 population. Of those 1972–73 Independent Students who reapplied in 1973–74, some were required to apply as dependent students. This did not negatively affect this group as a whole. Of the 994 total reduction from 1972–73, 105 were Independent Students.

The single most important variable has to do with the three Federal programs of student aid which include the Supplemental Educational Opportunity Grants Program, the College Work-Study Program and the National Direct Student Loan Program. Changes made by the Federal Government concerning these programs had a profound effect upon the performance of the Ohio Instructional Grants Program. As indicated earlier, the Ohio program is intended to provide a financial base upon which a comprehensive financial aid package can be built in order to meet each eligible student's financial need. These three Federal programs and institutional funds have been the other components of this package. A historic perspective is needed to fully understand the implications and end effects of the changes made in these Federal programs for the 1973–74 academic year.

The National Direct Student Loan Program, formerly known as the National Defense Student Loan Program was enacted in 1958. Then in 1964 and 1965, the College Work-Study Program and the Supplemental Educational Opportunity Grants Program, were enacted by the U.S. Congress. The intent of these programs was to eliminate the economic barrier that had historically denied access to higher education of deserving, but poor students. Hence, the programs were aimed primarily at students from low-income families. From 1958 to 1968, funds appropriated for these programs were distributed to the colleges with little or no restrictions.

The financial aid officer of each college was responsible for distributing these funds to needy students within the framework of the intent prescribed for each program. However, during this period, as the Federal Government began to examine the reports that were submitted by the institutions which documented the distribution of the funds, it became apparent that the money was not going to the students intended—low-income. The reports were primarily skewed towards the upper income limits of the programs. Institutions of higher education have hitorically and traditionally recruited basically middle and upper income, bright and white students. The higher education structure as an entity was programmed, oriented, and psychologically geared toward such students. Inasmuch as the financial aid officers at the institutions during this period had a great deal of latitude in administering these program, it was only natural that they would be inclined to serve institutional goals. It just so happened that the institutional goals and the Federal financial aid program goals were not the same.

Hence, in 1968, 1969 and 1970, the Federal Government began to introduce restrictions into the three programs that required first consideration be given to the low-income student and funds were provided on this basis. Any institution that did not maximize input of federal funds to low-income students found itself with less money the following year. This targeting requirement in the programs and the emergence of the Ohio Instructional Grants Program had a dramatic effect on the enrollment of low-income and black students from 1970–71 through 1972–73 as illustrated earlier in this report. This influx of the non-traditional students also mandated certain changes in the educational structure within the institutions in order to respond to the needs of these "new" students just as the old structure had responded to the needs of the traditional college students. Developmental programs, special services programs, and minority student programs began to emerge on college campuses through the state.

During this same period, college costs began to rise significantly, inflation started running rampant, and private colleges have been threated with economic bankruptcy. The middle-income family ($10,000-$20,000) began to feel the economic squeeze, and when the Guarantee Loan Program was more or less cut from under them as the primary source of assistance in meeting the costs of higher education for their children, a great cry of indignation arose. The Ohio General Assembly responded by increasing the income eligibility levels in the Ohio Instructional Grants Program so as to include the $11,000-$13,999 categories. This meant, in general, that families with gross incomes of about $15,000 were eligible. The Ohio Legislature also increased the maximum grant for low-income students in order to respond to the increasing costs of higher education. This increase was predicated upon the availability of the three Federal programs and the enactment and funding of the Federal Government's latest program—the Basic Educational Opportunity Grants Program. The State of Ohio in responding to the needs of middle-income families did not fall back in its commitment to the low-income family.

As it turned out for the 1973–74 academic year, the Federal Government did not follow suit. For the 1973–74 academic year, the Federal Government removed all restrictions and targeting on the three campus-based programs. For all intent and purposes, we are back to pre-1969 conditions. The wording in the Federal laws was changed in terms of priority form "low-income families" to "families with the greatest need." This subtle change and the removal of all targeting, income limits, and other restrictions, in essence changed the purpose of the program. To compound the problem, no additional funds were provided to meet this expanded eligible student population in the three programs. The Department of Health, Education, and Welfare, United States Office of Education Task Force on Management of Student Assistance Programs, in its "Preliminary Report to the Deputy Commissioner for Higher Education" provided the following policy statement:

> . . . a similar problem arises out of the revision in the College Work-Study law to give preference to students with "the greatest financial need," as determined by the institution. The amendment was inserted with the avowed intention of improving accessibility to the program for students from middle-income circumstances, and particularly middle-income students enrolled in high-cost post-secondary educational program. The apparent logic behind the amendment was that (a) high-cost institutions would be able to command a larger share of the funds allocated by formula to a given State on the grounds that students enrolled at such institutions have "the greatest financial need" in comparison with students enrolled at other institutions in the same State and (b) with larger awards of CWSP funds to high-cost institutions which enroll a higher-than-average proportion of students from middle-income circumstances, an increased number of those students would be able to command CWSP assistance on the grounds that they have "the greatest financial need" in comparison with other students enrolled at the institution.

As stated earlier, the funding level for each of the three federal programs in 1973–74 was the same as that in 1972–73. Hence, the "other students" referred to in the Task Force policy statement (low-income students) who because of the inclusion of middle-income families in the eligible pool and no additional funds to accommodate them, will find their funds taken away and given to the higher income students.

It should be noted that this policy applies to all three programs and this is evidenced by the fact that in the Supplemental Educational Opportunity Grants Program, the maximum income eligibility limit of $9,000 was removed as well as the requirements that the lowest income student receives first consideration—0–$3,000, then $3,001–$6,000, with $6,001–$9,000 receiving consideration last. All targeting was removed from the National Direct Student Loan Program, and the College Work-Study Program.

Hence, regardless of whether we are talking about a high-cost school or a low-cost school, the following example illustrates how low-income students have been systematically eliminated from the programs and, indeed, from the Ohio Instructional Grants Program. A two-parent, three-child family with a $15,000 gross income could be determined by administrative manipulation and subjective judgmentalism to be able to contribute $350 toward the educational cost of their child. A two-parent, two-child family with a gross income of $7,000 could be determined to be able to contribute $400. Under the current system the $15,000 family would be considered over the $7,000 family.

Persons in the U.S.O.E. have argued that the Basic Educational Opportunity Grants Program once fully funded would offset this loss of funds for the low-income students from the three campus-based programs. It was also argued that State programs would be encouraged to expand their commitment to low-income students through the new States Student Incentive Grants Program which provides some matching dollars for States that have grant programs to assist needy students.

Fact number one—The Basic Grants Program was not full funded for 1973–74. Only first-time freshmen were eligible and the maximum grant was not $1,400 as prescribed in the law but $452. It would take over $1.3 billion to fund this program. Only $122 million was provided for 1973–74 and $60 million of that amount went un-utilized.

Fact number two—The Basic Grants even fully funded cannot offset the loss low-income students will experience from losing their funds from the three campus-based programs. The amount of $1,400 does not offset a maximum package comprised in the three programs totalling $2,800 or more.

Fact number three—The States Incentive Grants Program was funded for only $19 million. Ohio's allocation will be $796,100 for 1974–75. It is difficult to see how this will make it possible for Ohio to increase the Ohio Instructional Grants to the point that we can offset the loss of funds low-income students have previously received.

The two most revealing tables in this report are Table B and Table G. The tremendous reduction in applications from low-income students in 1973–74 is indicative of the fact that low-income students were not recruited to the extent that they had been in 1972–73 and in previous years. The intent of the subtle and not so subtle changes in the federal programs was fulfilled and manifested through institutional goals. As any good admissions officer will attest to, the low-income student, White or Black, must be vigorously recruited and dedicatedly counseled. Low-income people as a group, or sub-culture, live in an environment that depreciates and devalues self-esteem, feelings of self-worth, and the belief that the opportunity being offered is "real." Poor people subjected to the dehumanizing effects of class prejudice and racism, that the extended hand of compassion, help and opportunity may initially be perceived as the potential fist of tyranny. In other words, you just can't place an application in the hand of a low-income family child and walk away expecting the kind of positive results one receives from the traditional college-type recruitee.

Table G reflects the impact on the Ohio Instructional Grant Program of these changes in federal program intents and institutional recruitment upon freshmen. Nearly 52% of the reduction in 1973–74 as compared to 1972–73 occurred in the freshmen class. Of this 3,069 reduction some 71% of the loss was in the less than $8,000 adjusted effective income categories and nearly 50% in the less than $6,000 adjusted effective income categories.

The Ohio Instructional Grant Program can be responsive to this disintegrating commitment to low-income students. As indicated earlier, the program will utilize nearly $17,336,524 for the 1973–74 academic year. The appropriation for the 1974–75 academic year is $21,300,000. The total amount that will be available to the program in 1973–74 is as follows:

1974–75 appropriation	$21, 300, 000
1973–74 attrition dollars that can be brought forward (estimate)	300, 000
SSIG allocation for Ohio (unofficial)	796, 100
Total	22, 396, 100

Subtracting the amount utilized in 1973–74 from the amount available for 1973–74 results in a balance of some $5,000,000 that can be utilized to improve the Table of Grants in the law in such a manner as to be as responsive as is possible with the funds available to the situation low-income students will face in 1974–75. The attached tables have been recommended to the Ohio General Assembly for the purpose of amending the Table of Grants currently in the law. These amended tables are responsive to (A) the increased funding level of the Basic Grants Program which is about $452 million and will provide maximum grant awards of about $900 for freshmen and sophomores only during the 1974–75 academic year; (B) the instructional costs for 1974–75; and (C) the differential effect upon the higher income levels within the Table of Grants as a result of change in federal programs.

It is believed that these increased amounts will recapture much of the loss experienced in 1973–74. However, as pointed out earlier, the recruitment of low-income students will be an equally important factor in recouping this loss.

TABLE A.—NUMBER OF STUDENTS SUBMITTED FOR PAYMENT BY THE INSTITUTIONS FOR 1972–73 AS COMPARED TO 1973–74 BY ADJUSTED EFFECTIVE INCOME (FULL-YEAR AWARDS, ONLY)

	1972–73 number of students	1973–74 number of students	Difference
0 to $4,000	5, 510	3, 806	−1, 704
$4,001 to $4,999	2, 806	2, 065	−741
$5,000 to $5,999	3, 168	2, 559	−609
$6,000 to $6,999	3, 678	3, 039	−639
$7,000 to $7,999	4, 388	3, 535	−853
$8,000 to $8,999	4, 848	4, 064	−784
$9,000 to $9,999	5, 024	4, 414	−610
$10,000 to $10,999	4, 146	4, 244	+98
$11,000 to $13,999		9, 566	+9, 566
Total	33, 568	37, 292	+3, 724

TABLE B.—NUMBER OF OHIO INSTRUCTIONAL GRANT APPLICANTS FOR 1972-73 AS COMPARED TO NUMBER OF APPLICANTS FOR 1973-74 BY ADJUSTED EFFECTIVE INCOME (FULL-YEAR AWARDS ONLY)

Adjusted effective income	1972-73			1973-74			
	Privates	Publics	Total	Privates	Publics	Total	Difference
$4 000 and under	1, 540	5, 649	7, 189	995	4, 105	5, 100	+2, 089
$4,001 to $4,999	838	2, 607	3, 445	584	2, 007	2, 591	−854
$5,000 to $5,999	1, 008	2, 873	3, 881	766	2, 387	3, 153	−728
$6,000 to $6,999	1, 166	3, 253	4, 419	925	2, 798	3, 723	−696
$7,000 to $7,999	1, 479	3, 807	5, 286	1, 150	3, 142	4, 292	−994
$8,000 to $8,999	1, 676	4, 139	5, 815	1, 342	3, 650	4, 992	−823
$9,000 to $9,999	1, 850	4, 143	5, 993	1, 500	3, 842	5, 342	−651
$10,000 to $10,999	1, 519	3, 383	4, 902	1, 527	3, 591	5, 118	+216
$11,000 to $13,999				5, 586	8, 014	11, 600	+11, 600
Total	11, 076	29, 854	40, 930	12, 375	33, 536	45, 911	+4, 981

CHART C.—PUBLIC INSTITUTIONS

[Number of awardees who utilized grants during 1972–73 as compared to all awardees for 1973–74 and awardees for 1973–74 in $10,999 AEI and under categories by institution (full-year awards only)]

Institutions	1972-73	1973-74	Difference	$10,999 AEI and under 1973-74	Difference as compared 1972-73
Akron University	1, 243	1, 373	+130	1, 037	−206
Bowling Green University	1, 685	1, 922	+237	1, 368	−317
Central State University	389	478	+89	437	+48
Cincinnati University	2, 632	2, 791	+159	2, 108	−524
Cleveland State University	1, 217	1, 538	+321	1, 230	+13
Kent State University	2, 622	2, 543	−79	1, 972	−650
Miami University	962	1, 078	+116	718	−244
Ohio State University	5, 078	5, 566	+488	4, 063	−1, 015
Ohio University	2, 187	2, 422	+235	1, 782	−405
Toledo University	1, 047	1, 067	+20	733	−314
Wright State University	766	704	−62	518	−248
Youngstown State University	1, 356	1, 379	+23	1, 060	−296
Cuyahoga Community-Eastern Cuyahoga Community-Metro	966	1, 249	+283	1, 143	+177
Cuyahoga Community-Western	192	210	+18	147	−45
Lakeland Community College	92	135	+43	106	+14
Lorain Community College	261	313	+52	237	−24
Sinclair Community College	445	485	+40	413	−32
Cincinnati Technical	62	138	+76	116	+54
Clark Technical	150	161	+11	118	−32
Columbus Technical	158	220	+62	176	+18
Northwest Technical	36	37	+1	30	−6
Jefferson Community Technical	69	80	+11	68	−1
Muskingum Area Technical	113	134	+21	103	−10
Owens Technical	62	94	+32	71	−9
Hocking Technical	161	185	+24	149	−12
Terra Technical	53	44	−9	35	−18
Scioto Technical	115	121	+6	103	−12
Stark Technical	25	33	+8	26	+1
Marion Technical	43	16	−27	10	−33
Belmont Technical	36	42	+6	33	−3
Central Ohio Technical	28	50	+22	30	+2
Washington Technical	37	46	+9	39	+2
Lima Technical College	80	106	+26	82	+2
North Central Technical	64	80	+16	55	−9
Total	24, 432	26, 840	+2, 408	20, 316	−4, 11[illegible]

CHART D.—PRIVATE INSTITUTIONS

[Number of awardees who utilized grants during 1972-73 as compared to all awardees for 1973-74 and awardees for 1973-74 in $10,999 AEI and under categories by institution (full-year awards, only)]

Institutions	1972-73	1973-74	Difference	$10,999 AEI and under 1973-74	Difference as compared 1972-73
Antioch College	48	49	+1	39	−9
Ashland College	203	225	+22	155	−48
Baldwin-Wallace College	439	527	+88	351	−88
Bluffton College	233	261	+28	197	−36
Cleveland—Music	22	24	+2	19	−3
Capital University	412	450	+38	318	−94
Case-Western University	576	667	+91	457	−119
Cedarville College	104	119	+15	84	−20
Cleveland—Art	68	93	+25	69	+1
Columbus Art and Design	50	54	+4	46	−4
Dayton University	558	653	+95	426	−132
Dayton Art institute	26	19	−7	17	−9
Denison University	84	94	+10	69	−15
Defiance College	242	213	−29	156	−86
Dyke College	126	179	+53	145	+19
Edgecliff College	151	159	+8	112	−39
Findlay College	237	269	+32	187	−50
Franklin University	25	72	+47	56	+31
Heidelberg College	251	307	+56	212	−39
Hiram College	232	336	+104	244	+12
John Carroll University	432	473	+41	337	−95
Kenyon College	59	55	−4	35	−24
Kettering College Med. Arts	5	23	+18	15	+10
Lake Erie College	52	51	−1	44	−8
Malone College	210	270	+60	196	−14
Marietta College	181	226	+45	156	−25
Mary Manse College	51	53	+2	42	−9
Mount St. Joseph College	93	105	+12	63	−30
Mount Union College	308	368	+60	262	−46
Mount Vernon Nazarene College	175	190	+15	141	−34
Muskingum College	188	215	+27	147	−41
Notre Dame College	113	85	−28	56	−57
Ohio Dominican	161	201	+40	150	−11
Ohio Northern	457	508	+51	352	−105
Ohio Wesleyan University	160	187	+27	136	−24
Otterbein College	284	349	+65	245	−39
Rio Grande College	236	291	+55	219	−17
St. John College	146	169	+23	115	−31
Steubenville College	164	183	+19	142	−22
Tiffin University	63	81	+18	57	−6
Urbana College	151	104	−47	78	−73
Ursulin College	66	67	+1	44	−22
Walsh College	147	182	+35	122	−25
Western College	22	36	+14	31	+9
Oberlin College	144	162	+18	112	−32
Wilberforce University	126	118	−8	109	−17
Wilmington College	193	156	−37	117	−76
Wittenberg University	246	268	+22	189	−57
Wooster College	153	215	+62	133	−20
Xavier University	241	254	+13	183	−58
Borromeo College	22	28	+6	16	−6
Chatfield College	0	9	+9	7	+7
Total	9, 136	10, 452	+1, 316	7, 403	−1, 726
Total Private and public	33, 568	37, 292	+3, 726	27, 719	−5, 842

TABLE E.—PRIVATE INSTITUTIONS

[Comparison of Black student awardees who utilized grants for 1972-73 against 1973-74 by institution (full-year awards, only)]

Institutions	1972-73	1973-74	Difference	$10,999 AEI and under 1973-74	Difference as compared 1972-73
Antioch College	14	16	+2	12	−2
Ashland College	26	32	+6	29	+3
Baldwin-Wallace College	95	89	−6	80	−15
Bluffton College	49	46	−3	45	−4
Cleveland—Music	2	1	−1	1	−1
Capital University	65	74	+9	66	+1
Case-Western University	97	158	+61	136	+39
Cedarville College	2	2	0	2	0
Cleveland—Art	7	9	+2	9	+2
Columbus Art and Design	11	12	+1	11	0
Dayton University	120	139	+19	125	+5
Dayton Art Institute	7	5	−2	5	−2
Denison University	20	18	−2	15	−5
Defiance College	27	24	−3	21	−6
Dyke College	53	104	+51	90	+37
Edgecliff College	31	31	0	29	−2
Findlay College	43	62	+1	58	+15
Franklin University	5	24	+19	21	+16
Heidelberg College	37	40	+3	33	−4
Hiram College	60	96	+36	88	+28
John Carroll University	46	52	+6	47	+1
Kenyon College	4	6	+2	6	+2
Kettering College Med. Arts	2	1	−1	1	−1
Lake Erie College	8	3	−5	3	−5
Malone College	15	12	−3	10	−5
Marietta College	11	19	+8	18	+7
Mary Manse College	14	14	0	12	−2
Mount St. Joseph College	4	9	+5	5	+1
Mount Union College	43	52	+9	47	+4
Mount Vernon Nazarene College	1	0	−1	0	−1
Muskingum College	9	10	+1	10	+1
Notre Dame College	6	5	−1	5	−1
Ohio Dominican	18	34	+16	31	+13
Ohio Northern	28	28	0	21	−7
Ohio Wesleyan University	41	48	+7	41	0
Otterbein College	25	29	+4	27	+2
Rio Grande College	25	28	+3	26	+1
St. John College	10	10	0	10	0
Steubenville College	15	22	+7	21	+6
Tiffin University	6	12	+6	12	+6
Urbana College	24	19	−5	14	−10
Ursuline College	9	5	−4	4	−5
Walsh College	4	20	+16	17	+13
Western College	8	12	+4	10	+2
Oberline College	54	63	+9	52	−2
Wilberforce University	124	117	−7	108	−16
Wilmington College	33	27	−6	22	−11
Wittenberg University	65	70	+5	60	−5
Wooster College	37	47	+10	37	0
Xavier University	52	58	+6	54	+2
Borromeo College	2	1	−1	1	−1
Chatfield College	....	0	0	0	0
Total	1,514	1,815	+301	1,608	+94

TABLE F.—PUBLIC INSTITUTIONS

[Comparison of Black student awardees who utilized grants for 1972-73 against 1973-74 by institution (full-year awards, only)]

Institutions	1972-73	1973-74	Difference	$10,999 AEI and under 1973-74	Difference as compared 1972-73
Akron University	289	303	+14	261	−28
Bowling Green University	419	505	+86	445	+26
Central State University	388	477	+89	436	+48
Cincinnati, University	809	920	+111	849	+40
Cleveland State University	324	466	+142	433	+109
Kent State University	754	727	−27	627	−127
Miami University	95	104	+9	94	−1
Ohio State University	778	1,045	+267	926	+148
Ohio University	278	281	+3	243	−35
Toledo University	272	285	+13	255	−17
Wright State University	135	113	−22	100	−35
Youngstown State University	232	209	−23	191	−41
Cuyahoga Community—Eastern, Cuyahoga Community—Metro	676	939	+263	880	+204
Cuyahoga Community—Western	14	17	+3	16	+2
Lakeland Community College	8	9	+1	9	+1
Lorain Community College	46	45	−1	40	−6
Sinclair Community College	281	292	+11	277	−4
Cincinnati Technical	25	46	+21	44	+19
Clark Technical	24	33	+9	30	+6
Columbus Technical	48	87	+39	78	+30
Northwest Technical	0	0	0	0	0
Jefferson College Technical	8	7	−1	5	−3
Muskingum Area Technical	5	8	+3	8	+3
Owens Technical	12	15	+3	13	+1
Hocking Technical	2	3	+1	3	+1
Terra Technical	1	3	+2	3	+2
Scioto Technical	4	2	−2	2	−2
Stark Technical	2	1	−1	1	−1
Marion Technical	0	0	0	0	0
Belmont Technical	0	0	0	0	0
Central Ohio Technical	1	0	−1	0	−1
Washington Technical	1	0	−1	0	−1
Lima Technical College	6	5	−1	5	−1
North Central Technical	7	11	+4	9	+2
Total	5,944	6,958	1,104	6,283	+339

TABLE G.—NUMBER OF FRESHMEN STUDENTS SUBMITTED FOR PAYMENT BY THE INSTITUTION FOR 1972-73 AS COMPARED TO 1973-74 BY ADJUSTED EFFECTIVE INCOME (FULL-YEAR AWARDS, ONLY)

	1972-73	1973-74	Difference
$4,000 and under	2,587	1,721	−866
$4,001 to $4,999	1,163	849	−314
$5,000 to $5,999	1,336	990	−346
$6,000 to $6,999	1,516	1,187	−329
$7,000 to $7,999	1,764	1,426	−338
$8,000 to $8,999	2,003	1,619	−384
$9,000 to $9,999	2,059	1,692	−367
$10,000 to $10,999	1,739	1,614	−125
$11,000 to $13,999		3,704	+3,704
Total	14,167	14,802	+635

TABLE H

Comparison of independent students in 1972–73 and 1973–74 at $10,999 adjusted effective income and under

Number of awards utilized:	
1972–73	3,393
1973–74	2,651
Difference	−742
Loss of percent of 1972–73 total[1] (percent)	21
Loss of all Grants Independent and Dependent as percent of 1972–73 total (percent)	16

---

[1] This figure may be reduced by three percentage points when including 1972–73 independents who applied as dependents in 1973–74.

OHIO INSTRUCTIONAL GRANTS STATISTICS

1970–71 ACADEMIC YEAR

Grant Level—$300–$900

Number of students	14, 904
Dollars awarded	$4, 571, 588
Appropriation	8, 500, 000
Unused balance	3, 928, 412

Private Institutions

Number of students	4, 728
Dollars awarded	$2, 570, 683

Public Institutions, 4-year

Number of students	10, 176
Dollars awarded	$2, 000, 905

2-Year (Included above)

(Number of students	1, 092)
(Dollars awarded	$240, 668)

1971–72 ACADEMIC YEAR

Grant Level—$510–$1,200

Number of students	29, 970
Dollars awarded	$14, 586, 416
Appropriation	15, 000, 000
Unused balance	413, 584

Private Institutions

Number of students	9, 772
Dollars awarded	$7, 732, 058

Public Institutions, 4-year

Number of students	20, 198
Dollars awarded	$6, 854, 358

2-Year (Included above)

(Number of students	1, 727)
(Dollars awarded	$695, 439)

1972–73 ACADAMIC YEAR

(First year of centralized administration by the Board of Regents)

Grant Level—$510–$1,200

Number of students	36, 561
Dollars awarded	$15, 594, 988
Appropriation	16, 000, 000
Unused balance	405, 012

Private Institutions

Number of students	9, 511
Dollars awarded	$7, 277, 760

Public Institutions

Number of students	27, 050
Dollars awarded	$8, 317, 228

1973-74 ACADEMIC YEAR

Grant Level—$570-$1,320

Number of students	40,682
Dollars awarded	$16,887,913
Appropriation	19,800,000
Unused balance	2,912,087

Private Institutions

Number of students	11; 045
Dollars awarded	$7,953,790

OHIO INSTRUCTIONAL GRANTS DISTRIBUTION

1972-73 ACADEMIC YEAR

Full Year Awards Only (August deadline)

	Number of students
Less than $10,000 income	29,422
$10,000-$11,000 income	4,146
Total number of applications for entire year	53,973
Total awards utilized for entire year	36,561
Total awards made for entire year	41,358

1973-74 ACADEMIC YEAR

Full Year Awards Only (August deadline)

Less than $10,000 income	23,482
$10,000-$14,000 income	13,810
Total number of applications for entire year	52,010
Total awards utilized for entire year	40,682
Total awards made for entire year	45,483

1974-75 ACADEMIC YEAR

Full Year Awards Only (August deadline plus increase in partial awards over previous years)

Less than $10,000 income	21,212
$10,000-$15,000 income	19,508
Total number of applications for entire year	55,573
Total awards utilized for entire year	43,834
Total awards made for entire year	46,948

Public Institutions

Number of students	29,637
Dollars awarded	8,934,123

1974-75 ACADEMIC YEAR

Grant Level—$600-$1500 (Projected)

Number of students	43,834
Dollars awarded:	
State appropriation	$18,563,212
SSIG dollars	846,230
Total	19,409,442
Appropriation	21,300,000
Unused balance	$2,736,788

Private Institutions

Number of students	11, 267
Dollars awarded	$8, 725, 724

Public Institutions

Number of students	32, 567
Dollars awarded	$10, 683, 718

A STATEMENT ON THE OHIO INSTRUCTIONAL GRANT PROGRAM

(By Charles W. Seward, III, Director)

In 1969 when I first met with Dr. John Millett and discussed the OIG Program, my first question was, "What is the purpose and intent of the program?" He answered that the primary intent was to *assist* in eliminating the economic barrier which has traditionally stood between low income students and *access* to higher education. As enacted, this was not a tuition equalization program. The program was intended to increase the number of low income students coming out of high school and into higher education. The program was to complement the existing federal program which had this same primary purpose.

After coming to the Board of Regents, I began to research the history of the Federal programs. I was keenly interested in learning how these programs worked and to what degree they were achieving their intended goals, because I have been fully aware of the history of our public and private institutions of higher education and their disregard of low income and Black students. The elitism of the private colleges who earnestly denied access to Blacks and entertained the admission of extremely bright poor white students predicated on their ability to obtain scholarships was well known. The subtle and covert efforts of the public institutions to control the number of Blacks and poor whites entering their portals to higher learning was equally well known, especially by the victims of such practices. These institutions, from the Board of Trustees, to the president, to the faculty, to the admissions and financial aid personnel, have historically been structured, oriented and programed psychologically and intellectually to serve their respective constituencies—middle class students in the publics and upper middle and upper class students in the privates.

With the late 1960's and early 1970's, there was a lot of rhetoric reverberating from these institutions but little commitment. This became more and more obvious as I researched the Federal programs.

In 1958 the U.S. Congress enacted the National Defense Student Loan Program. In 1964 and 1965 the College Work-Study Program and the Educational Opportunity Grants Programs were enacted. The primary objective of these programs was to provide access to higher education for low income and minority students who heretofore had been denied access because of the economic barrier.

Thus, the financial aid package was conceived and implemented. The first apparent problem arose when the Congress refused to back up its intents with money. These three programs have been historically underfunded.

The second problem arose out of the assumption that the institutional goals were the same as the programs. By placing lump sums of dollars in the hands of the institutions, it was assumed that this was all the incentive required for the institution to recruit and assist low income and minority students. However, the problem goes much deeper than just a consideration of dollars. The attitudes of faculties regarding black students and poor whites, regarding disadvantaged and culturally different students, proved to be resistant to the notion that large numbers of such students should be in their classrooms. The subtle manifestations of racism and discrimination in admission and financial aid officers served as a significant barrier between the students the programs were intended to serve and acess to these programs. The real lack of commitment on the part of Boards of Trustees, college presidents, and the "by their silence gave consent" activities of the State boards of higher education and State legislators, contributed to this non-effective implementation and processing structure.

Placing the funds in the hands of the institution was a fatal mistake. The power to control who got what was in the hands of those most incompetent to serve the purposes and intents of these programs. Between 1965 and 1969, the data clearly indicated that the funds were not reaching the students the programs were intended to serve. In 1969, the U.S. Office of Education made a decisive move. Rules and regulations instituting targeting were implemented and, I might add, under great protest from the institutional financial aid community. What did targeting mean? It meant that the institutions were required to award funds to those students from the low income categories first. When the institutions reached the 9 to 10 thousand dollar ranges the funds began to run out. The amount of funds an institution received the following year was determined in part by how effectively they met the targeting requirement and to what degree they intended to expand the enrollment of students in the target area.

Coincidentally, the State of Ohio enacted the Ohio Instructional Grants Program in 1969. Ironically, we made the same mistake the Federal Government made. We placed the decision and award making process in the hands of the institutions. After going through 2 years of mismanagement, circumvention and multiple inconsistencies in awarding grants, the administration of the program was centralized.

I recall attending annual conferences of the state organization of financial aid directors, regional workshops, small seminars, and visiting individual institutions. The pattern was clear and concise. I sat in a meeting where leaders in the financial aid community demonstrated to their fellow members how to manipulate the Parents Confidential Statement Needs Analysis Report and, hence, reduce the C.S.S. adjusted effected income and the parental contribution. I sat in on meetings where aid officers discussed the various ways to circumvent federal guidelines and regulations. I sat in on a meeting where a presentation was made involving institutional practices and goals vs. Student Aid Program goals. The final conclusion was that the financial aid office must serve institutional goals based upon the assumption that what is best for the institution and serves the institution's philosophy of education best serves the student. I sat in on a meeting with state university admission and financial aid officers and listened to them explain how the financial aid office complements the admission office in effectively screening out so-called "undesirable students" by placing the student's financial aid application on the bottom of the pile and leaving it there until all the funds were gone. I sat in on a meeting of about 20 private college aid officers and after a couple of hours of discussion it was the general consensus of the group that their institutions were not committed nor desired to be committed to recruiting significant numbers of Black students or low income disadvantaged white students. Status quo with a little tokenism was and is today the name of the game in private colleges.

Nevertheless, targeting of federal programs and the centralization of the Ohio Instructional Grants Program had a significant impact on the enrollment of black students and poor students in general. In 1970–71, 14,904 students from families with income of less than $10,000 received Ohio Instructional Grants. By 1972–73 some 36,561 Ohio students received grant awards with 29,422 of this total in the less than $10,000 income categories. The number of black student recipients had grown from 3,652 to 8,719.

But then the bubble burst. The pot at the end of the rainbow was not filled with gold, but an urn filled with disappointment, frustration and deceit. The effects of inflation on middle and upper middle income families, and the lobbying efforts of the financial aid community bore bitter results for black and low income white students. The Higher Education Amendments of 1972 effectively inverted the priorities and purposes of the campus-based programs. The effective mechanism of targeting was eliminated. The term "low income student" was replaced in the legislative language with "students with the greatest need." Many persons, like myself, became alarmed. However, the institutions pledged that they would not reduce their commitments, that they would not divert funds away from black and low income students.

During the 1973–74 academic year we experienced a reduction of nearly 6,000 low income students in the Ohio program; in 1974–75, another 4,000 low income students. Nearly 60 percent of these students came from families with incomes of less than $8,000. Alarm was expressed by people in the trio programs, and by representatives of black colleges. Figures began to trickle in throughout the country. The year 1972–73 was to be the peak of achievement. In 1973–74 and 1974–75, reports in the Chronicle on Higher Education, U.S.O.E. reports, and others showed that the enrollment of black students and low income students was declining. I began to receive more and more complaints from low income families about the cool, unconcerned and sometimes disdainful attitudes of financial aid officers. An information barrier was beginning to form and a systematic program of denial was in full swing. I contacted community organizations throughout the State in order to determine if within their educational components they had experienced a reduction in the recruiting efforts of colleges. All answered in the affirmative. A large city urban league representative indicated that in the past, five Ohio colleges and universities eagerly sought their assistance in contacting students. These five institutions were again invited to participate in a college program given by the community agency. None responded! None showed up!

There are 40,000 low-income students in Ohio who would be enrolled in higher education today if funds were adequate and recruitment honestly pursued. Over 40 percent of all black teenagers in Ohio are unemployed. Of the 340,000 Ohio higher educational enrollments, approximately 12,000 are black (based on IOG base figures plus nonparticipants). This is a 3 percent representation. Some 9,800 received OIG awards during the 1973–74 academic year. A total of 21,212 students from families with incomes of less than $10,000 received OIG awards. This is 6 percent of the total enrollment. Based upon OIG base figures plus nonparticipants, students from families with incomes of less than $10,000 represent 10 percent of the total enrollment in Ohio. When one considers that 85 percent of the total state population falls in the less than $15,000 income range, these figures for both black students and poor students point out how serious the problem of access really is and indicate that some drastic changes are in order in terms of the delivery systems for state and federal funds, and what kinds of programs for what kinds of students should be developed.

Campus-based programs have failed for the obvious reasons—institutional history—racism—social class prejudice—white middle class pressure.

I, therefore, propose the following:

1. Eliminate the SEOG and NDSL Programs.
2. Fully fund the Basic Grants Program.
3. Contract with each state agency administering a state student aid program to administer the Basic Grants Program.
4. Fully fund and expand the SSIG program. Through SSIG allow states to either establish statewide work-study programs, targeted to low income students; or establish a supplemental grants program, targeted to low income students eligible to receive state grants; or match state program dollars with an emphasis on increased access as a purpose; or reduce fees at public institutions or private institutions based on enrollment percentages of low income and minority students; or a combination of all of these.
5. Reestablish the Guaranteed Loan Program as a middle and upper income student program.
6. Encourage the institutions to channel their NDSL revolving funds to middle income students.
7. Provide the institutions with Work-Study funding at its current level.

In Ohio the effects would be as follows

Public institutions:	
Base grant	$1,400
Ohio instructional grant (proposed)	780
Total	2,180
SSIG	600
Maximum public budget	2,780
Private institutions:	
Base grant	$1,400
Ohio instructional grant (proposed)	2,000
Total	3,400
SSIG	600
Private budget [1]	4,000

---

[1] Private colleges with budgets of more than $4,000 would be required to provide either NDSL, Work-Study, or institution funds to meet the student's unmet needs if the student comes from a family with an income of less than $10,000 in order to be eligible to participate in the state program.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 8, 1975.

Hon. JAMES G. O'HARA,
Chairman,
Subcommittee on Postsecondary Education.

DEAR JIM: Since the Postsecondary Education Subcommittee is currently holding hearings on student financial assistance, I wish to bring to your attention a bill related to this subject that is currently pending before your subcommittee.

Earlier this year, the late Jerry Pettis and I introduced H.R. 2786, the "Postsecondary Education Consumer Protection Act of 1975." This bill is similar to legislation we introduced during the 93rd Congress and a measure introduced in the Senate by Senator Charles Percy (R-Illinois). At that time, Jerry and I testified before the House Government Operations' Special Studies Subcommittee on this legislation and its relationship to proprietary vocational schools. As you know, we also testified before your subcommittee in July during its hearings on "Federal Higher Education Programs Institutional Eligibility."

Since its introduction, I have received numerous inquiries regarding this legislation, and interest among other Congressional Members prompted me to re-introduce the bill on March 20 (H.R. 5234—a copy is enclosed.) Joining me in co-sponsoring the bill is Rep. Floyd V. Hicks (D-Washington), Chairman of the Government Operations' subcommittee that held hearings on the measure last year. You will also note the attached copies of my introductory speech and a press article from a Los Angeles newspaper.

As you may recall, I first became interested in the subject of accreditation and eligibility after numerous complaints were sent me by constituents following the closing of the West Coast Trade Schools in May 1973. As I researched the subject, I uncovered a virtual Pandora's box of inequities and improprieties in the field of proprietary vocational education. Although I recognize that many proprietary institutions are not in this category, this problem is so monumental in terms of student and Federal financial loss that it has received extensive coverage in the *Readers Digest*, *Washington Post* and *Boston Globe*.

My legislation incorporates many of the suggestions made by the Education Commission of the States in its model legislation on this subject. It is, I believe, a comprehensive approach to a rather complex problem. The bill also includes suggestions made by interested individuals and the House Government Operations Committee.

In brief, the bill addresses itself to strengthening the federal accreditation procedure with respect to student loan programs. Of particular interest during last year's debate on the bill is the bonding provision—Section 6(3). This particular provision is further explained in the enclosed floor speech.

I would also direct your attention to another provision in Section 6 that would require an institution (as defined by the bill) to provide students with information on its programs offered, educational credentials, fees and completion rates. In addition, my bill would require these institutions to maintain accurate and *auditable* financial records regarding their receipts and refunds of guaranteed student loan proceeds.

Recognizing your time limitations, I ask that you give careful consideration to the ideas put forth in my bill. I believe that we can have a successful student financial assistance program only by also carefully revising and reinforcing the accreditation procedure. To me, these areas should not be separated during the present higher education debate. I have also sent similar letters to the other Members of the Subcommittee.

I would also appreciate your making this letter and its enclosures part of the official hearing record on student financial assistance.

I welcome any inquiries about this legislation and thank you in advance for attention.

Sincerely,

ALPHONSO BELL, M.C.

LE MOYNE COLLEGE,
Syracuse, N.Y., April 8, 1975.

Hon. WILLIAM F. WALSH,
Longworth House Office Building,
Washington, D.C.

DEAR BILL: After reviewing the components of Congressman O'Hara's radical revision of the education amendments of 1972, which terminate June 30, 1975, I must say that we at Le Moyne share the hopes of many of the members of the sub-committee and other legislators who felt that minor technical revisions were all that were needed.

The O'Hara Bill HR-3471 seems deliberately targeted to aid students to attend low price public institutions. It is not easy to understand why he introduced it or what he expects it to accomplish. It is particularly cavalier towards private institutions and middle income students.

I feel that the salient issues for private colleges in order of their degree of damage seem to be:

1. The reorientation of programs abolishes students "choice of institution" as a national objective of equal educational opportunity. The elimination of SEOG and the targeting of BEOG to low tuition institutions may well destroy most private colleges;
2. The proposal to remove half of education limit on the basic grants program;
3. Modifying the State Student Incentive Grant SSIG program as to include support for facilities for zero tuition public institutions;
4. The implicit idea that BEOG would only pay for non-institutional costs;
5. A shift in loan programs, without any sound policy on replacement;
6. The taproot that the bill for all postsecondary education should be paid for by the taxpayer, and only state-owned institutions would be targets for student aid grants.

We strongly urge your support of the following priorities:

1. Differential aid treatment for students choosing to attend private institutions, preferably a tuition offset program stimulated by federal funds;
2. Retaining current student aid programs as they are, including in particular the ½ limit in BEOG. Two changes would be helpful: allowing greater transferability of institutional fund allocation among SEOG, CWS and NDSL, and the removal of the need in CWS program (as O'Hara proposed), provided sufficient funds are appropriated to implement it.
3. Expanding financial support for the State Student Incentive Grant Program, without diluting it by adding totally unrelated programs such as giving states the authority to utilize funds for facilities for increasing zero tuition public institutions.

We do not see any of these, however, as replacements for current programs. Better evidence is needed before concluding that major changes are necessary.

On behalf of all of us here at Le Moyne let me thank you for your continuing help and we hope that you will support our position regarding HR-3471.

Cordially,

E. J. KENNEDY,
Vice President for Development and Community Relations.

PENNSYLVANIA ASSOCIATION OF PRIVATE SCHOOL ADMINISTRATORS, INC.,
April 8, 1975.

Hon. JAMES O'HARA,
Chairman, Subcommittee on Postsecondary Education, Cannon House Office Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: I recently had an opportunity to review H.R. 3471 (the Amendments to the Higher Education Act) and your comments published in *The Congressional Record* of February 20, 1975.

I understand that your Subcommittee held hearings on this bill in March; but that you wished to limit oral testimony. In view of this we did not ask for time to testify orally on this bill; but, would hope that these written comments will be given the same weight as the testimony presented at the hearings.

First, I would like to congratulate the Chairman on his obvious understanding of the existing programs of Federal Aid to higher education and the problems which have arisen with regard to these programs. Actually, we agree with many of the changes recommended by this bill. In fact, in some cases we have been trying for years to get changes of this nature implemented!

I am sorry to say, however, that I believe that if the bill were to pass in its present form it would cause severe damage to private, postsecondary educational institutions in the United States and would lead us further down the road to an all public system of postsecondary education. Those of us who feel that our private colleges, universities and vocational schools have a great deal to offer in terms of alternative choices for our young people are disturbed by this bill which seems to say that public postsecondary education should be the dominant mode in our society.

The Chairman has made it quite clear in his comments that he is not neutral in this matter and favors Federal policies which would encourage public low-tuition institutions. While we admire his candor, we feel that this position does not give adequate consideration to the effect that these policies would have on private, postsecondary institutions. This nation has a huge investment in the facilities and programs of these private schools. Most of these schools are facing great difficulties at this time. To further tilt Federal policies in favor of the public institutions to the detriment of private institutions would probably mean that many private institutions would fail and their facilities would have to be replicated by the public sector. Aside from the affect on the present or potential students of these institutions, one must consider the great economic waste involved in such a shift.

It should be pointed out that we are now at the end of the 74–75 academic year. Students should by now have made their plans for 75–76. Financial aid officers and other administrators must know where they stand for the 75–76 academic year in terms of financial aid programs. Because of the many controversial provisions of H.R. 3471 it is unlikely that this present bill could be passed until very late in the legislative sessions—possibly not before the beginning of the academic year of 75–76. In view of this, it might be wise to consider continuing most of the present programs on substantially the current basis while studying new legislation.

I am attaching testimony concerning the specific provisions of H.R. 3471.

Very truly yours,

PHILLIP CHOSKEY,
Chairman, Government Affairs Committee.

Enclosure.

TESTIMONY PRESENTED ON BEHALF OF THE PENNSYLVANIA ASSOCIATION OF PRIVATE SCHOOL ADMINISTRATORS

BASIC GRANTS

First, let me say that we favor the proposed change in the need analysis for the Basic Grant Program eliminating the assets test. We have had a grant program in Pennsylvania for almost ten years. In the operation of this program we have found that very, very few students are rejected because of excessive assets. The use of the assets test militates against those students' families who may have accumulated home equity or business assets which may have a substantial book value but cannot readily be liquidated for educational purposes. In all of my years of working with grant programs I can only think of one or two cases where a student was rejected for excessive assets. Usually, if a family does have substantial assets this is also reflected in income and the income test would disqualify them. While there may be a very few individuals with low income and high assets, who might qualify for grants on a strictly income-based test, I would suggest that the cost of these few grants would be considerably less than the cost of processing all the asset information.

We must, however, raise serious objections to what we feel is an effort in this bill to change completely the intent of the Basic Grant Program. It is our feeling that the Basic Grant Program as originally enacted stood on two philosophical foundations—first, to provide students with a greater freedom of choice of educational institutions regardless of their financial means and second, to compensate to some extent for the heavy subsidies being received by students in public institutions. We feel that part of the thrust of the Basic Opportunity Grant Program was the preservation of the private sector of postsecondary education. I think that the Chairman has made it quite clear in the bill and in his statement that this is not a priority item on his agenda. While we feel he is entitled to his opinion, we do not feel that the Congress, who originally produced these programs or the present Congress, agree with that position. We find in the original Higher Education Amendments a substantial commitment to the preservation of diversity in higher education. On purely economic terms alone, it doesn't seem to make much sense to let the enormous investment in the private sector of higher education go down the drain only to replicate these programs in public institutions at enormous cost.

SUPPLEMENTAL GRANTS

H.R. 3471 would propose to completely change the Supplemental Grant Program from a campus-based program of aid to students with exceptional financial need problems to a Federally-administered program of aid to students who "exhibit exceptional academic promise". Indeed, it seems that the changes are so great between the existing Supplemental Grant Program and the new program that it should not be called the Supplemental Program but should have a new name.

I think it should be pointed out that the tendency in recent years has been to base financial aid more and more on need and less on academic ability. As a result, many students who otherwise would not have had an opportunity to enter higher education have been able to do so. Many of these students from disadvantaged backgrounds or with poor high school preparation would have great difficulty in demonstrating academic promise. In addition, there are many fields of endeavor vitally necesary to the nation which require skills and talents which cannot be measured on an academic scale. Are we to say that those individuals capable of acquiring those skills or possessing those talents are less important to the nation than those who do well on purely academic testing?

The proposed SEOG Program would necessitate the establishment of a bureaucracy which would have to identify a proposed intellectual elite. Quite frankly, I think this is contrary to the basic precepts on which this country operates. It would also be extremely difficult to set up such a selection program before the start of the next academic year.

AN ALTERNATIVE PROPOSAL

At this point it might be well for us to discuss our basic philosophy with respect to financial aid for higher education. It is our feeling that such aid should follow the student and be primarily based on financial need so that he can go into the educational market place and purchase those programs of education which best fit his needs. We have confidence in the ability of students and their families to make wise choices. Any program which distorts those choices by funneling funds only through specific institutions, we feel, is a disservice to the student. Unfortunately, the great mass of aid to higher education is provided in the form of aid to institutions rather than aid to students. For instance, in Pennsylvania where the higher education budget is approximately one-half billion dollars—90 per cent of the State's funds benefit approximately 50 per cent of the students in higher education (those that attend public or publicly-subsidized institutions). The other 50 per cent of the students receive only about 10 per cent of the total State aid to higher education through various grant programs. It was my feeling that the Higher Education Amendments of 1972 were designed to partially correct this type of inequity.

As an alternative to the proposals in the bill for BEOG and SEOG we would prefer a single simplified program similar to the current BEOG Program. This program would provide grants primarily based on need, and would take into account the differing costs of education at different institutions. If the funds normally allotted to BEOG, SEOG, and NDSL were combined, it would probably be possible to operate a basic program with a maximum grant of $1,400 as envisioned in the original bill. It is my estimate that such a program using the current analysis could be funded for around $1.2 billion per year. This estimate is based on our experience in Pennsylvania which has about 5 per cent of the national population and approximately 5 per cent of the students in postsecondary education. In Pennsylvania we fund a grant program with a maximum award of $1,200 with an appropriation of about $60 to $70 million per year. It would seem to us that it would be better to have a single simple Federally administered program of aid to students in higher education rather than the present conglomeration of programs.

STATE INCENTIVE GRANTS

Over the years a number of states have established higher education grant programs. These programs have greatly increased the access of students in these particular states to programs of higher education. Pennsylvania was among the leaders in state grant programs. Our program has grown from about $4 million in its initial year to $60 to $70 million in the current year. The State Incentive Grant Program which was a part of the Higher Education Amendments of 1972 was designed to help those states which had existing programs and to encourage other states to initiate those programs. Unfortunately, Congress did not substantially fund this program so that it has been of minimal value in achieving these objectives. While H.R. 3471 greatly expands the funding for State Incentive Grants, it makes substantial differences in both the original intent of the State Incentive Program and in the distribution formulae. For one thing, although the formula is very complicated I understand that it would reduce Pennsylvania's share of State Incentive Grant Funds to a very small amount although we have been leaders in providing state funds for this purpose. In addition, the bill provides the option for states to use these funds for purposes other than student grants. We feel that the original intent of the Incentive Grant Program should be preserved and that states should be assisted in proportion to the effort they are now making from their own funds. If it is the desire of Congress to provide assistance for other programs such as low tuition institutions, these should be from separately identified funds.

COST OF INSTRUCTION

The Higher Education Acts of 1972 provided for "following grants" to be paid to institutions accepting students with other Federal aid. This section was never funded and I believe the Chairman is correct in saying that it is somewhat less than honest to include titles in a bill and then not provide the funds to implement them. Our own position is that Federal funds should be used for direct aid to students giving them the maximum freedom of choice in selecting an institution and program of postsecondary education.

On the other hand, should a bill of following grants be adopted and funded by the Federal Government, we feel that all postsecondary institutions should be included.

GUARANTEED STUDENT LOAN PROGRAM

In this section of the bill we find ourselves in agreement with the Chairman in a number of areas. For one thing, we heartily endorse the provision to eliminate the Direct Federally Insured Program and to require the establishment of State Guarantee Agencies in every state. Our own experience indicates that the State Guarantee Agencies have a much better collection record than the Federal Program. State Agencies also have a much better liaison with lenders to encourage them to participate in the program. Some consideration might be given to creating shared agencies for contiguous states with relatively small populations where the loan volume would not justify the establishment of an agency within each state.

The bill also proposes to eliminate educational institutions as lenders under the program. We have always had some reservations concerning lending by educational institutions. Apparently a large part of the default experience in the program results from the combination of the school as a lender and the Federal Government as the guarantor. One of the difficulties with having the school as the lender is that it encourages the institutions to default the loan since upon default the loans are immediately paid in full where if the student pays the loan under the normal repayment agreement, the school will wait several years for their money. If schools are to be permitted to remain as lenders I would suggest that the Federal Government pay those defaults in the same manner as the student would pay—over a period of time, during which time the school can undertake its own collection procedures.

We are very much concerned, however, by the proposed changes in the maximum amounts in the Guaranteed Student Loan Program. Considering the sharp rises in educational costs at private institutions it is difficult to see how many middle-income families will meet their children's educational costs unless they have access to the Guaranteed Student Loans at the present level. Particularly disturbing is the lower limit for freshman students, since these students very often have high initial costs in getting established on campus. Additionally, freshman students very often do not know what their total financial aid package will be until very close to the time they are to start school. The availability of the Guaranteed Student Loan has made it possible for these students to plan for their initial year of education since they could fall back on the loan if other aid was not available. If the loans are not available they may have to give up their plans for higher education even though it might turn out later on that they could get sufficient aid from other sources.

NATIONAL DIRECT STUDENT LOANS

We essentially agree with the Chairman that sufficient money is now in place in the NDSL Program to provide institutions with a revolving loan fund and that no new money should go into the program except as necessary to provide forgiveness as provided for in the original legislation.

We do not agree, however, that this loan fund should simply be turned over to the institutions to operate without any supervision as the bill seems to say. We feel that these public funds should be accounted for by the institutions that have custody of them and if the institutions no longer wish to operate these funds they should return them to the Federal Government.

COLLEGE WORK-STUDY

While we endorse the principal of college work-study, we find that very few proprietary institutions are able to participate because of the prohibition against the use of work-study students on their own campuses. Most proprietary school directors we have talked to have found it extremely difficult to find off-campus work-study openings for their students. Additionally, the administration of work-study programs is extremely burdensome for small institutions both proprietary and non-profit.

I would like to suggest a method by which the opportunities for work study could be expanded. If public and private non-profit agencies were permitted to directly contract with the Federal Government for work-study funds, they could undoubtedly provide many work-study opportunities for students. For instance, if a hospital could obtain an allotment of work-study funds they could administer themselves, they could then contact educational institutions in the locality to refer students for the openings. In this way the burden of administration would be upon the agency which actually got the benefit of the students' work rather than on the educational institution which referred the students.

UNIVERSITY OF ROCHESTER,
Rochester, N.Y., April 8, 1975.

Congressman JAMES G. O'HARA,
House of Representatives,
Rayburn Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: On behalf of the University of Rochester I would like to submit for your consideration the following comments on H.R. 3471, the proposed "Student Financial Aid Act of 1975" which you introduced in the House of Representatives on February 20, 1975.

We appreciate and support your goal of making higher education more accessible. However, we urge that you recognize that low tuition does not imply low cost. Despite the efforts of the higher education community, the cost of education of a student at public and at private institutions of higher education has become substantial. Relying upon low tuition or zero tuition public institutions to increase accessibility, which appears to be one of the main thrusts of your bill, does not eliminate those substantial costs of education, but continues to place the burden of costs upon the taxpayers at the state level, if not at the federal level. Programs of student assistance which permit a choice among public and private colleges and universities increase the variety of alternatives available to students and create less of a burden on taxpayers because of the resources provided to private institutions by past and future private philanthropy.

In your remarks introducing the bill in the House, we note that you mentioned an appropriation of $660 million for the Basic Grant Program. We are concerned that an appropriation of $660 million might not be sufficient to continue awards at their 1975 levels. Under the provisions of your bill the number of students eligible for Basic Grants is likely to increase because of the elimination of assets in the determination of need and because of the reduction of the minimum grant from $200 to $100. Given a $660 million appropriation, the same amount as the 1975 appropriation under the present law, and a larger number of eligible students, the grants may have to be ratably reduced, yielding smaller grants than those which are available to students eligible under the current Basic Grant program. In other words, access is likely to be decreased. We suggest that, given the Basic Grant provisions of H.R. 3471 in its current form, an appropriation larger than $660 million will be necessary.

We applaud the recognition of merit in your reconstruction of the Supplemental Grant Program. Since we are in the fortunate position to be able to attract very able students, the Supplemental Grant Program provisions will likely make our undergraduate programs even more accessible to low income students than we have been able to to do with our substantial institutional student aid program.

The general provisions of the Supplemental Grant Program do not recognize other sources of funds available to many of the students who will receive supplemental grants. We assume that, in its final form, the bill will require that an individual receiving a Supplemental Grant be ineligible for other forms of assistance, e.g., state grants, work-study, and private scholarships. Otherwise, the possibility of excessive awards from multiple sources may lead to some problems with the program which will fall upon the Commissioner to correct by means of his authority to determine the cost of education, both direct instructional costs and support costs, for the individual. Corrective measures by the Commissioner could in effect penalize those states, such as New York State, which have substantial grant programs for undergraduate students, by deducting the amount of state grants from the cost of education for determination of the amount of a supplemental grant. Such action by the Commissioner would not be consistent with your stated intention of rewarding states for their effort and not penalizing them for their own earlier initiative.

The possibility of excessive awards could also arise under the Basic Grant Program. A student who attends a low-tuition public institution and receives a basic grant may also be eligible to receive state incentive grants and employment under the work-study program. The only means by which the commissioner could correct this situation, however, is by adjusting the expected parental contribution schedules. A more likely result would be adjustment by the states of their incentive grant programs and work-study programs. In that case, there is no problem as long as the adjustment occurs on a case-by-case basis to avoid excessive awards. If, however, the state's reaction is to create a general reduction in incentive grants, the effect would be detrimental for students attending higher tuition public and private institutions.

In the provisions of H.R. 3471 for State Student Incentive Grants, the first and second alternatives for which the states may use appropriated funds, i.e., grants to eligible students and work-study programs, are appealing. However, the third alternative, "providing additional capacity for enrollment of students at public institutions of higher education which do not charge tuition or fees," causes some concern. The current state of underutilized capacity in public and private colleges and universities and the expected increase in excess capacity over the next twenty years indicate that we ought to discourage rather than encourage additional capacity in higher education. The first and second alternatives, which will also increase access, represent more efficient approaches because they encourage better use of the existing capacity. We recommend that the third alternative, incentive for additional capacity, be deleted from the provisions for incentive grants to states.

We envision several problems with the Guaranteed Student Loan Program provisions of H.R. 3471. Many commercial financial institutions are not prepared to extend loans to students. Those institutions which do make student loans are under no obligation to do so when credit and business conditions dictate otherwise. The current Guaranteed Student Loan Program recognizes those limitations and provides the educational community a means to assure continuous loan programs. Denying educational institutions the ability to make loans to needy and deserving students will, n effect, deny some students the opportunity to invest in themselves.

If lending is to be limited to commercial financial institutions, the special interest allowance is a necessity to encourage continuous availability of loan funds. Tying the special interest allowance to a market-determined interest rate is an especially constructive provision of the bill. We would urge, however, that a longer term rate than the ninety-day treasury bill rate be considered as the base for the special interest allowance. The ninety-day treasury bill rate tends to be quite volatile. For example, it has ranged from 9.4 percent in August, 1974 to 5.5 percent in March, 1975. When short-term rates fall substantially below long-term rates, tying the special allowance to short-term rates may reduce substantially the availability of loans.

In addition, it is not clear that the default problem, which limiting lending eligibility to commercial financial institutions is intended to solve, should be attributed to the entire educational community. The scant evidence at hand indicates that the default problem originates from a small number of large volume lenders, predominantly proprietary schools. Rather than eliminate all educational institutions as lenders it would be better to adopt measures to limit misuse of the program. For example, the Office of Education recently proposed disqualifying lenders from further participation if they experience more than a ten percent default rate or if they lend to more than sixty percent of their students.

Concentrating upon federal re-insurance of state guarantee programs and eliminating direct federal insurance is another provision of H.R. 3471 which apparently is intended to reduce the exposure of the program to default. Presumably the state programs have shown substantially less default experience. However, according to some reports, lower default experience by states is a result of (1) greater selectivity by some state programs such as the exclusion of proprietary schools from eligibility as lenders, (2) the activity of the state agency as a collection agent before the default experience reaches the federal level, and (3) incomplete and inaccurate default experience reported by some state agencies. There is no basis fo reliminating the federal government as a direct insurer of lenders if those reasons explain the better experience of state agencies.

The largest impact of the curtailment of the size and availability of loans may be upon graduate education. Loans are the sole form of assistance available for many graduate and professional students. Although there has been a substantial reduction in the availability of funds for assistantships and fellowships, enrollment in graduate and professional programs has not decreased proportionately. The availability of loans under the Guaranteed Student Loan Program has made it possible for students who seek graduate and professional training to borrow against an investment in future income. Loans to those students certainly should not be objectionable. Limiting the loans to at most $1,500 per year and restricting lending to commercial financial institutions makes the loan program inadequate and uncertain for that group of students. We urge you to provide for larger loans, at least $3,000 per year, for graduate and professional students and to reinstate educational institutions as eligible lenders.

The work-study provisions of H.R. 3471 are attractive. The Work-Study Program could help balance the reduced availability of loan assistance and the lack of grant assistance for the so-called middle income groups by providing an alternative source of funds for those students willing to sacrifice leisure and study time for remuneration from employment. However, given the bill as it stands, the increase in requests for work-study assistance should be substantial. The elimination of the need test for receipt of work-study assistance, the decrease in loan availability and size of loans, and the decrease in availability of supplemental grants leaves the work-study as the only major source of assistance for a large group of students. It is not obvious that the increase in appropriation for work-study contained in H.R. 3471 will be sufficient. Funding increases for college work-study which are included in the bill are barely sufficient to keep pace with the inflationary trend we have experienced over the past few years. Therefore, we urge that, in the absence of changes in the bill's provisions for grant and loan programs, the appropriation for the work-study program be increased substantially.

The general provisions of the bill, "Part F—General Provisions Relating to Student Assistance Programs," for the most part contain general provisions and qualifications necessary for a bill of this sort. However, we are concerned about two of the provisions. The requirement for the establishment of a fair and equitable refund policy is objectionable if that provisions is interpreted by the Office of Education as a requirement that withdrawing students be provided a refund which is inversely proportional to the amount of time the student spent at the institution. Such a refund policy ignores the fact that most of the costs associated with a student's education are fixed at least within a year's period. Second, we, and I would assume most other institutions of higher education, do provide each student with a written statement about the instituton's programs, facilities, and faculty. However, requiring the provision of program completion rates and data on the employment of graduate calls for an increase in record-keeping which can only add to the cost of education and is of doubtful value for the applicant.

As a final, general comment, the bill causes some concern because of possible adverse effects for the so-called middle income student. The combined effect of (1) a strict definition of need for the basic and supplemental grant programs, (2) only a relatively small increase in college work-study program, and (3) the substantial reduction in the availability of loans may sharply curtail the range of choice available to middle income students and, in some cases, may even eliminate access to higher education. The effect is likely to be greatest for those students who would choose to attend a relatively more expensive public or private institution but will be unable to do so because of the relative scarcity of loan funds for investment in higher education. We urge that the revised form of the bill contain provisions which require the Commissioner of Education to set standards for the expected parental contribution which would make some Basic and Supplemental Grant assistance available to middle income students and that the bill be relaxed to allow more and larger educational loans to be made.

Sincerely,

ROBERT F. FRANCE.

ASSOCIATION OF INDEPENDENT COLLEGES
AND UNIVERSITIES IN MASSACHUSETTS,
Boston, Mass., April 9, 1975.

Hon. JAMES G. O'HARA,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: Thank you for your long and thoughtful letter of March 26 in answer to mine of the 18th. I do not believe that there is any difference between us on the question of Federal aid to the institutions, at least in a student aid bill. I believe that our difference spring from two sources.

First, I have come to look on student aid as a complex made up of Federal student aid programs (which are very important) state scholarship and aid programs and financial aid from the institution's own resources. To my mind the ultimate desideratum of this complex should provide students with not only freedom of access to the institution most suited to the student's needs, but also freedom of choice between institutions, publicly supported or privately supported. This freedom of access and freedom of choice are both necessary if students are to get the maximum benefit from our wide variety of institutions.

Second, I believe it to be true that the "cost" of education per student in different institutions does not vary substantially by type of institution. The "charges" per student do, of course, vary substantially depending on the extent of state subsidy to the institution concerned, while the "cost" to the economy as a whole is the same in either case. "Costs" are very nearly a constant since the dominant element of cost in either a public or private institution is in personnel and both compete for personnel in the same marketplace. Whenever the financial outlay called for from the student is tilted strongly in either direction, public or private, then it seems to me that the freedom of choice between institutions is seriously impaired if not destroyed.

To oversimplify, if the BOG at $1,000 (with no limitation of 50% of total cost of attending) pays the entire charge for tuition and fees at a community college subsidized by the state with no room left for state scholarship aid, work study funds, etc., whereas the $1,000 represents only about 20% of the expense at a private supported four year institution, the desirable "freedom of choice" for the student is seriously limited by economic pressures.

In recommending "reasonable choice" for each individual, the National Commission on the Financing of Postsecondary Education stated the case for choice succinctly: "Choice is closely related to access. Each person should be assured a real choice among the institution that have accepted him or her for admission and to deny such choice would be to restrict access. To the extent that choice depends upon financial aid, reasonable student financial assistance must be available from public and private sources in some combination of grants, loans, employment, (to supplement) personal savings and parental contribution." While your proposal may not "deny" choice, it undoubtedly will restrict choice and consequently it will impair access, blunt aspiration and narrow the spectrum of opportunity. In that sense, it would not "help young people equally."

As I indicated earlier I regret that no attempt has been made to study the possible effects of this bill upon the potential distribution of students between higher priced and lower priced institutions. (Not higher *cost* and lower *cost* institutions, for in this state at least, there is a strong tendency for the lower priced institution to cost the combination of taxpayers, students and their families, more.) I continue to hope that it is not too late for your Committee to commission such a study in order that an estimate of the probable effects of the proposed legislation would be available to those who must judge the wisdom of the proposals.

I recognize the attractiveness for your purpose of considering student aid and institutional aid as separate matters. The realities, however, suggest that such an easy distinction is an illusion. *Someone* must pay for the institutional services: in the case of the low priced institution, the taxpayer provides payment in the form of subsidy, and for each additional student the *institution* needs additional aid in the form of additional tax subsidy. In the higher priced institution, tuition aid from the taxpayers to students means that an institution will have to spend a smaller amount of its own resources for financial aid, and the money thus freed may be used for other purposes.

In a bill such as yours, however, what would take place is not so much a mix of student aid with institutional aid as an odd blend of educational funds (tuition and fees) with welfare funds (food, shelter, clothing and car). The student in the higher tuition institution would receive a grant which must be used for educational expense, i.e., tuition. The student in the zero tuition institution would receive a grant for expenses which by and large *he would have made even if he were not attending an educational institution.*

If it is the philosophical intent of the federal government to provide an entitlement of this nature, then as a matter of equity it should be extended equally to equally deserving students. (Here is where your family analogy would be apt.) This in turn suggests that there is even the possibility of developing a rational new policy whereby federal funds would be extended for "non-institutional" or "welfare" costs and state funds would be used for tuition or educational costs. Under these circumstances SSIG moneys limited to student educational expenses would exert potent leverage.

Because aid for tuition expenses does indeed have institutional consequences, I would hope that your second bill might be considered before "concluding with the student aid bill."

Perhaps this will not be possible without further delaying consideration of the student aid bill, but would such a delay be an unalloyed calamity? It might provide just the breathing space that is needed to assess the degree of success of the present program and to fine tune its provisions accordingly, while taking a hard look at what effect your new proposals might have upon access and choice and upon students and institutions.

I hope that some day we may have an opportunity to discuss these matters further in person. I am most grateful that John Brademas took the trouble to introduce me to you when I was last in Washington and I hope I may see you again.

Sincerely,

CARL J. GILBERT,
President.

INTERNATIONAL TRAVEL TRAINING COURSES, INC.

Chicago, Ill., April 10, 1975.

First, I would like to introduce myself. I am the President and Founder of International Travel Training Courses, Inc. I am also the Travel Editor of Holiday Magazine and Associate Editor of the Saturday Evening Post.

International Travel Training Courses, Inc. is the first travel training school in America (now in 13th year), operating in the City of Chicago with one branch in Washington, D.C., and is the only independent travel training school in the United States that is recognized by the American Society of Travel Agents. It is also approved by the State of Illinois Office of the Superintendent of Public Instruction. The school is unique in that our placement service has a record of placing over 90 percent of our graduates in meaningful positions in the travel industry. This has been authenticated by on-the-premises investigation of the Federal Trade Commission and the State of Illinois Office of the Superintendent of Public Instruction.

The purpose of this letter is to express my concern with regard to provisions in Bill H.R. 3471.

My primary concern relates to Paragraph 3, Lines 16 through 20, Page 107, reading as follows:

"(3) Provides not less than a six-month program of education or training for which it awards an associate degree, a bachelor's degree, a post-graduate degree, or prepares students for gainful employment in a recognized occupation or profession."

It would seem to me that if International Travel Training Courses can successfully train students for employment in the complex business of travel agency procedures, air line and steamship ticketing, etc., that certainly other schools, many teaching less involved subjects, should be able to do so. Students seeking Federal funding obviously are in need of gainful employment and should be graduated at the earliest possible time, not only for the benefit of the American taxpayer. Under current rulings, a student can qualify for Federal grants by attending school only twelve clock hours per week over a period of six months. Our students attend class five hours each day, Monday through Friday.

My second concern pertains to the fact that a tremendous number of secondary schools in this country have no record whatsoever for placing their graduates. In many cases I presume that this is due to the fact that the students are not adequately trained. In my opinion, there should be very stringent rules and regulations which state that if a school does not have adequate proof of placement they should not be eligible for Federal funds.

International Travel Training Courses has never applied for Federal funding of any kind, simply because in the past most students who applied for enrollment were able to pay tuition. However, this year, with the recession, we are finding many worthy, eligible, potential students who are unable to take this course because of financial difficulties.

Thank you for affording me this opportunity to express my viewpoint.

Sincerely,

EVELYN ECHOLS,
President.

LOYOLA UNIVERSITY,
New Orleans, La., April 17, 1975.

Hon. LINDY BOGGS, M.C.,
Congress of the United States,
House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE BOGGS: I am deeply grateful for your interest in Loyola's problems and your responsiveness to our needs.

I have been informed by associations of college and universities that the presently proposed legislation (HR 3471) introduced by Representative O'Hara does not reflect the Congress' stated intention to preserve freedom of choice between public institutions and private institutions for students. The bill proposes the removal of the upper ceiling on Basic Educational Opportunity Grants of one-half the cost of tuition. We feel that it would not be in the interest of survival of the private colleges that such a change be made.

In addition, it is part of the O'Hara program to restructure the State Student Incentive Grant Program in such a way that public institutions may move in the direction of zero tuition. This, we feel, is a distortion of the original intent of the program, which was to induce states to provide scholarship programs for students attending colleges in both the private and the public sector.

I am opposed to either modification, removal of the BEOG limit and change in thrust of the SSIG program. I would be glad to provide any further information if you so desire.

I am also alarmed about proposed reductions in funding levels of existing programs. The House appropriations committee is recommending a $110,000,000 cut in funding for the Supplemental Opportunity Grants Program. Your support of the Roybal-Obey-Stokes amendment will help avert this cut.

Very sincerely yours,

JAMES C. CARTER, S.J.
President.

SELECTED MARYLAND COMMUNITY COLLEGES' TESTIMONY

We, the undersigned Financial Aid Officers, representing selected community colleges in the State of Maryland, wish to have the following statement deposited for the record as testimony regarding HR 3471.

Though the United States is spending more funds each year on education, the problems of defraying college expenses are still not being resolved by many students who cannot afford to go to college without financial assistance. The soaring number of students who have entered postsecondary institutions since the late 1950's, the increased tuition costs, and the funding problems which confront both public and private colleges present acute problems across the nation and across all segments of higher education. Students from low-income families have been and are still being encouraged to enter postsecondary institutions oftentimes with misleading assumptions that their financial needs will somehow be met through federal aid programs. The issue of equal opportunity in education is a long way from being resolved. The existing federal programs still need a great deal of improvement in the area of timely appropriations, administration, delivery and effectiveness.

The community college financial aid officers of Maryland feel that it is important to preface our remarks on HR 3471 with a restatement of our philosophy. No student should be restricted from the privilege of attending our institutions because of his or her limited financial resources. We further believe that disbursement of all financial aid resources should be based upon a family's demonstrated need, with the prime assumption being that parents have an obligation as well as students have an obligation to finance their education to the extent that they are capable. In so analyzing their capability or the family's financial strength, both the family's income and assets, should be combined and considered to produce the most complete and objective evaluation or assessment of the family's ability to pay for postsecondary education. We further believe that within this frame of reference, federal funds, state funds and local funds may best be distributed to all students applying for financial aid on an equitable basis. Given the necessity for a consistent and objective measure of need, flexibility should be available to the financial aid officer in the form of a wide variety of programs in order to meet individual differences and needs. We presently feel very comfortable with the Educational Amendments of 1972, as so stated by Congress. Our greatest problem with the Educational Amendments of 1972 lie in the areas of: (1) regulations regarding the administration of those programs; (2) the allocation of funds in terms of the state ratio formula; and (3) the late notifications to the institutions by the Office of Education regarding the allocation of funds. The state formula alone is preventing many of our states from receiving enough funds to meet not only the needs of our lower income students but our middle income students as well. With the above statements in mind, we would like to submit the following recommendations for your consideration when you are deliberating on this bill.

The student financial aid recipients in our state, in the community college sector, are in the majority minority students, are in the majority mature students (many with dependents), are in the majority first-college generation students, and all commuting to our campus. In 1974–75, our tuition/fee structure in the State of Maryland ranges from $150 to $560 with the mean average of $353 per year.[1] This compares to the national average of $287.[2] Our mean average total community college budget for dependent students is $1801 as compared with the national average of $1922. A recent study of the student enrollment at Prince George's Community College, an institution of 11,000 students in Prince George's County, Maryland, shows that 42% of the students were married, 38% of the students attended college during the evening hours, 65% of the students attended college on a part-time basis and 43% of the students were 26 years of age or older. In relationship to these breakdowns, Montgomery College, an institution of over 12,000 students in Montgomery County, Maryland, had a similar breakdown which shows that 28% of their students were married, 66% of their students attended college during the day only, 34% attended college during the day or evening, and 31% are 26 years of age or older. Both of the above studies were compiled on the 1974 fall statistics.

---

[1] *Admissions and Financial Aid Information for Maryland's Public and Private Postsecondary Educational Institutions.* Maryland Council for Higher Education, October 1974.

[2] *Student Expenses at Postsecondary Institutions 1974–75.* College Entrance Examination Board, New York, 1974.

Students enter two-year colleges for a myriad of reasons. Some enroll because of last minute decisions to go to college; some enroll because they cannot afford the tuition cost at a four-year institution; some enroll because of a lack of awareness of available aid programs to help with college costs; some enroll because they believe the period of adjustment between high school and college is easier in a two-year college; some enroll to accrue (at less expense) a number of credit hours that can be transferred to a four-year institution; some enroll to receive immediate career employment skills which are not afforded in the four-year institution; others enroll to prepare themselves for other college career opportunities in which there may be more of a demand in the job market; others enroll for job requirements or promotion; and, still others enroll for personal growth and development. Whatever their reasons for continuing their education, be they eighteen-year-olds or fifty-year-olds, the fact still remains that many of them need financial assistance from outside sources in order to obtain their educational goals.

PROGRAM BY PROGRAM DISCUSSION

Basic educational opportunity grant program (BEOGP)

We applaud the elimination of the one-half cost of education limitation on the amount of grant, and we would also like to recommend that the minimum be reduced to $50 as it is presently stated in the Educational Amendments of 1972. Of course, the rationale for this would be that college students who are attending on a half-time basis may need monies less than $100 for tuition and fees and other expenses as much as those students who have a greater need in excess of the recommended $100 base. However, Mr. Chairman, we fail to understand the significance of the $600 maximum on this grant. We believe some arguments have been stated that the $600 maximum would meet the needs of any student attending a community college. As you can see from the previous statistical presentation of costs of attendance at community colleges, the $600 would be but a tip of the iceberg, especially when one looks at the makeup of the student population at community colleges where they are *not* typically dependent students living at home. Our students are, in the main, living away from home with dependents whose educational-related expenses far exceed the typical dependent student living-at-home budget. Throughout our discussion we would like to emphasize the fact that we are not concerned about simply recruiting students to our colleges by assisting in meeting their basic tuition costs, but, more importantly, we are concerned about retaining these students in our community colleges to the completion of their goals—whether it be a career goal, a certificate, a re-education, or for a degree. The $600 maximum limitation on the Basic Grant is simply unrealistic for this student body. The Basic Educational Opportunity Grant $600 maximum would increase or perpetuate the revolving-door principle. Obviously, this should not be our goal in using student financial aids as a false encouragement for students to come to college.

We feel it necessary to discuss the needs analysis process at this point since the Supplemental Educational Opportunity Grant Program (SEOGP) in this particular bill is built upon the philosophy that the Basic Educational Opportunity Grant Program (BEOGP) is a foundation which requires that for one to receive a SEOG, they must be eligible to receive a BEOG as a prerequisite. With that in mind and with that understanding, we would like to go on record stating that all assets should be considered in the computation of the expected family contribution. A review of assets is important in the determination of the family's total financial strength. There is an asset reserve provided in the presently approved Office of Education's needs system that, by formula, protects a portion of the family's total assets. Even if we do not consider all the assets, such as home equity, in determining the expected family contribution, it would be reasonable to expect that assets such as savings, checking accounts, stocks and bonds, and other assets which could be more easily liquidated by the family to help defray the cost of the student's education would be a part of the computation to determine the student's eligibility.

It is our fervent belief that most people in the aid community operate under the tenet that it is first and foremost the responsibility of the family to provide for the cost of educating its family members as long at it is within their means to do so. If we do not consider assets, we may find that two families, both with incomes of $4,000 (one with no assets at all; the other with assets of $30,000 in savings, trusts, bonds, etc.) are being treated equally in determining the eligibility of the applicant for a Basic Grant. The disparity in cases such as this should be recognized and eligibility should NOT be based on income alone.

We would like to encourage this committee to include an administrative allowance of 3%, as recommended by the Executive Secretary of the National Association of Student Financial Aid Administrators (NASFAA) and presented to your subcommittee in previous testimony.

Supplemental educational opportunity grant program (SEOGP)

The Educational Opportunity Grant Program was originally established to meet the needs of exceptionally-needy students or students from low-income families. Quoting the Educational Opportunity Grant Program Manual of 1971, page 1-1, "The purpose of the program is to provide educational opportunity grants to students of exceptional financial need who, for the lack of financial means of their own or of their family, would be unable to enter or remain in an institution of higher education without such assistance." Further, page 4-2 of that manual states, "A student should be eligible who shows evidence of academic or creative promise. The judgment of a student's ability need not be limited to conventional measures such as high school grades and aptitude test scores. Many young people of exceptional financial need have been subject to educational and social disadvantages that have impaired their academic development. Although such students are sometimes thought of as 'high-risk students,' they have demonstrated in many institutions that they can successfully pursue higher education." The proposals under HR 3471 are clearly inconsistent with the primary thrust of the original Educational Opportunity Grant Program.

First, many of the students who are not new eligible for the Basic Educational Opportunity Grant Program are not eligible under the existing criterion requiring initial enrollment in a postsecondary institution after April 1, 1973. This criterion alone would make approximately 50% or more of the students enrolled in two-year colleges not only ineligible for the Basic Grant but, consequently, ineligible for the Supplemental Grant. Further, the proposal that eligibility for SEOG also be based on a record of outstanding performance as measured by such a standard as the National Merit Scholarship List completely disregards the characteristics of the two-year college student. For approximately 43% of the students, for example at Prince George's Community College, enrollment in a two-year institution represents for many a second, last or only chance to continue their education. Because of the gap between the time of graduation from high school and the actual enrollment date in a community or junior college, many of these students are not likely to find their names on any national lists which identify those students who have demonstrated a clear promise of outstanding academic performance. Many of our students do not complete high school but enter college on the basis of a G.E.D. test score. Even if the student is able to demonstrate this kind of achievement on a college level, it simply means that he or she must wait one full semester of an academic year before he or she can be considered for a Supplimental Grant, provided that student enrolls in a postsecondary institution after April 1, 1973. Community college students are at a further disadvantage. Hugh Lane, a Research Associate for the Institute of Services to Education, in a paper presented and cited in the *Higher Education Daily*, March 5, 1975, criticizes the bill's approach to the SEOGP because of the use of culturally-biased standards such as the National Merit Scholarship List. He further goes on to say that "While the bill calls for a study of cultural bias and testing to address this problem, he noted that it would not immediately apply, 'while future generations of students of cultural, social, economic, racial, religious, sexual and ethnic bias may benefit from these feasibility and development studies,' the entering Class of 1977 clearly will not."

By virtue of this proposed legislation, we are finding ourselves moving further and further away from the commitment that the nation once made to provide every person an equal opportunity to receive an education of high quality. The imposition of the criterion of outstanding academic achievement for eligibility for the SEOGP is arbitrary and discriminatory. This imposition means that though a student may have the academic potential to successfully complete college requirements, unless he or she is able to demonstrate clear outstanding academic promise, he or she will not be considered for assistance under the SEOGP. The student who needs financial assistance most, students from low-income families and disadvantaged backgrounds, are the ones who are least likely to find themselves on any National Merit Scholarship List or on the Dean's List for academic standing. We should all bear in mind that many colleges, if not all, throughout this nation require only that a student maintain a "C" average or successfully complete all requirements in his or her chosen discipline in order to graduate. There is no mention in any college catalog that a student must show academic excellence or a clear demonstration of outstanding performance as a requisite for graduation. These regulations are clearly a departure from the original intention of the EOGP where the student was judged to be in good standing and with exceptional financial need.

Institutionally-based programs on campuses are working well in spite of the problems of late and inadequate funding and program changes with which we are constantly confronted. In our thinking, it would be a grave mistake to convert the SEOGP from an institutionally-based program to one of direct grants to students from the U.S. Office of Education. Students and parents need to feel that they have direct personal access to the people who are making decisions on aid awards and that delivery will be quick and tailored to meet their individual needs. This is particularly true at community colleges where students and parents need to know immediately and, often during the registration process, whether they will be receiving financial assistance. Certainly the U.S. Office of Education will not be accessible nor as sensitive to the needs of students who are enrolled in all the institutions across the nation as are the Financial Aid Officers on campus. The community college has been commended by congressional leaders for having open admissions, rolling registrations, and rolling financial aid. Such a concept should be preserved; however, the U.S. Commission on Education would prevent this if it operates as the SEOGP, like the BEOGP. Delays and delinquencies by the Office of Education regarding a student's eligibility several months after the student has attended college do not enhance a student's motivation to remain in college but in truth reinforces his belief in the malaise of bureaucracy that has overlooked his need for an education.

We feel that the 3% administrative allowance now afforded for reimbursement of administrative expenses should be included in any future proposals.

College work-study program

Since the purpose of the College Work-Study Program is to provide an opportunity for employment on a part-time (or full-time basis, if needed) for those students who have demonstrated a need for this type of employment in order to defray college costs, it is our contention that financial need should be continued as a criterion for certification for eligibility for participation in this program. Many needy students have benefited from this type of employment: not only in terms of monetary compensation but in terms of actual on-the-job experiences and the acquisition of a sense of responsibility and obligation that they may not have otherwise been afforded. The work-study program was initially implemented to supplement on-campus and/or off-campus employment opportunities, not to replace them. Each institution has the responsibility of maintaining the effort to provide non-work-study jobs for its students. In filling non-work-study part-time positions on campus, most institutions are not concerned with the financial needs of the students whom they employ. They are concerned primarily with the manpower needs of the institution. Therefore, we have traditionally found that this type of employment does not meet the needs of students for whom the College Work-Study Program was designed to help. More often than not, those eligible for the College Work-Study Program are the very people who would be excluded from a no-need employment program. Low-income students would not have the previous experience, skills and talent which would make them likely candidates for positions on or off campus. The proposed design of the program and, consequently, the diverting of limited dollars to middle income students who often have the requisite skills will certainly prevent the accomplishment of assumed philosophy of equal opportunity and accessibility to higher education.

Most institutions in the State of Maryland, as in most other states, now have placement offices which seek out job opportunities in the private sector for both part-time and career opportunities; therefore, we question the need to authorize additional funds, which are so badly needed in student aid programs, to establish such institutional offices.

National direct students loan program (NDSLP)

This program has been extremely beneficial to many students who are not eligible for aid from other programs, such as the BEOG, SEOG and the CWSP. We must continue to provide some recourse for students who are unable to obtain assistance from other sources. The Guaranteed Insured Student Loan Program (GISLP) is not a good substitute for students who cannot meet the criteria which have been established by the lending institutions for loans from the GISLP. Many lending institutions that participate in the GISLP require that the student or parent establish a ninety-day account with the institution. Many lending institutions will not lend monies to freshmen. If the provision for required matching in the SEOGP remains unchanged, the NDSLP represents a good source for matching for the student who is ineligible for aid from other programs (i.e., BEOGP, state scholarships or grants, etc.)

It should be well known that the NDSLP is relatively new to the community colleges. Only within the last five to ten years have community colleges actually applied and received their appropriations for this program. This is not said to demean the Office of Education or the Regional Offices, but merely to point out that community college Student Financial Aid Officers as professional have only started to develop within the last five years. By professionalism, we are speaking of the fact of being well trained and knowledgeable about what their rights and privileges are in terms of applying for student financial aids for their student constituency. Of course this would fall in line with the historical development of community colleges being as they are as a postsecondary institutional group a relatively new scene in higher education. The point being made here is that with this newness to higher education, especially to the NDSLP, with the recent involvement of being recipients of the NDSLP, and with the small amount of appropriations in the last few years, we feel that there would not be a great deal of revolving funds from the NDSLP to be of much use to our students who would be the prospective borrowers in our type of institution. Therefore, we could not accept the idea or intention that the NDSLP would be a resource for our students at community colleges based upon the revolving funding process. We simply would not have sufficient funds from the revolving process to make the NDSLP a viable financial aid resource for our students.

We feel that the 3% administrative allowance no wafforded for reimbursement of administrative expenses should be included in any future proposals.

State student incentive grants (SSIG)

In the State of Maryland, few dollars from the State Scholarship Program flow into the hands of our students attending community colleges. We recognize that the intent of legislation is to encourage states to participate more in terms of matching monies with developing state financial aid programs, but intent is not always placed in practice. The financial aids association has been lobbying for change in our state scholarship programs for several years without a measure of success. Therefore, our state scholarship programs are not established on total need based programs and, therefore, we are not eligible for total SSIG funding. Unfortunately, our students, especially community college students, are being penalized by this political inactivity that now may be possibly hindered by another layer of scholarship intervention from the Federal Government.

Statistically, according to the Maryland Council for Higher Education Annual Report of 1973–74, the community colleges of Maryland enrolled 24,070 full-time students compared to the total state enrollment of 89,040, or 27%. We enrolled 58,717 full and part-time students compared to 151,197 students in all colleges in Maryland. In total, 38.8% of all students enrolled in Maryland for 1973–74 were in community colleges.

Unfortunately, our state scholarship programs have very little comparison to our enrollment statistics. In reference to the Maryland State Scholarship Board Annual Report, only 325 of 3,135 scholarships went to community college students or $81,600 of $1,249,200. This represents only 6.5% of the scholarship funds and only 10% of the students receiving awards. Since only our General Scholarship Program is accepted for the SSIGP, this would diminish our student recipients to be less than 65 statewide since only 63 students cumulatively received $16,400 for 1973–74.

As we are pointing out, this new legislation may have the intent of encouraging states to contribute more to the students' needs within the state. It is difficult to remove the penalty to students who will be hurt while the political power sturctures are remaining in their status quo environment.

With this in mind, the SSIGP would not help our constituents a great deal since these grants are matching grants to state scholarship programs that are based upon need.

We would further like to comment upon the idea that the state would set up a work-study employment opportunity program. We feel again that the intent may be commendable but the practice of fulfilling such a program and making it workable or viable at the state level down to local communities and then between the different colleges and their students would almost be an insurmountable task for our students to perform. A similar program that we have had difficulty coordinating our programs with is the Law Enforcement Assistance Program. In essence, this program has the same intent as this legislation and its purposes are the same; but, the performance within the intent of the legislation within our region areas has not been found to be attenable. The fact that it would be a no-need based program would not allow funds to be targeted into the hands of students who had demonstrated financial need.

In conclusion, we recommend that the SSIGP remain as it presently is, as written under the Educational Amendment of 1972.

Guaranteed insured student loan program (GISLP)

We have a great deal of reservations about the present administration of the GISLP based upon the fact that very few students in the community colleges in our state actually participate in this program. Many times it is not because they would not or could not apply since our students are mature, independent students but the fact is that many of our students are (1) low income students, (2) with no bank accounts, and (3) are freshmen who are not eligible to participate in the program (by banking and lending institutional guidelines). Therefore, it might be inappropriate for our community college sector to respond to this question since it has, in the past, been practically ineffective towards helping our student constituency. Mr. James Leamer, Executive Director of the Maryland Higher Education Loan Program-Guaranteed Insured Student Loans, reported that as of April 21, 1975 accumulated loans in the state of Maryland totaled $16,271,595. Of these loans only 4.9% were issued to 926 community college students totaling $812,164.

Unfortunately, with this program being one of the few to be recommended to be funded, along with the BEOGP, by the process of elimination this would mean that community college students, in fact in reference to this bill, would be limited in their acquisition of federal funds if indeed they get any funds at all.

CONCLUSION

In conclusion, accessibility, equal opportunity and freedom of choice in higher education requires early planning and decision-making on the part of the student. Lower income people often do not have the opportunity of pre-planning or of establishing pre-planning behavior. Neither do they have the opportunity to guarantee to themselves that they will have adequate financial assistance to attend the school of their choice. Presently, with the current status of funding, continuity in the financial assistance programs cannot be guaranteed to a student. The possibilities of changes in regulations from year to year, the possibilities of changes in program regulations, and the possibilities of the elimination of programs are all factors which contribute to the present ambiguous and mystical process of college attendance and college selection. We must continue the programs with an adequate level of funding so that each student can make a decision with full and complete knowledge that he will receive financial assistance, if needed, and consequently be able to attend the school of his choice.

Respectfully submitted.

by **Herm Davis**,
Director of Student Financial Aids, Montgomery College, Rockville Campus, Rockville, Maryland

For: Allegany Community College, Carl Emerick; Dundalk Community College, Valerie Blackmon; Essex Community College, Barry Weinberg; Hagerstown Junior College, John Clatterbaugh; Harford Community College, Edward St. Lawrence; Howard Community College, Christine Sawyer; Montgomery College, Herm Davis and Sharon Bob; and Prince George's Community College, Tamara Coward.

NOTRE DAME COLLEGE,
St. Louis, Mo., April 30, 1975.

Hon. LEONOR K. SULLIVAN,
St. Louis, Mo.

DEAR MADAM: Thank you for your prompt, as usual, reply to my letter in reference to H.R. 3471. My specific concern with that bill is not with Representative O'Hara's desire to provide free or very low tuition for higher education—my concern is that along with that we recognize the fact that twenty to thirty percent of our American college students are enrolled in private colleges and universities.

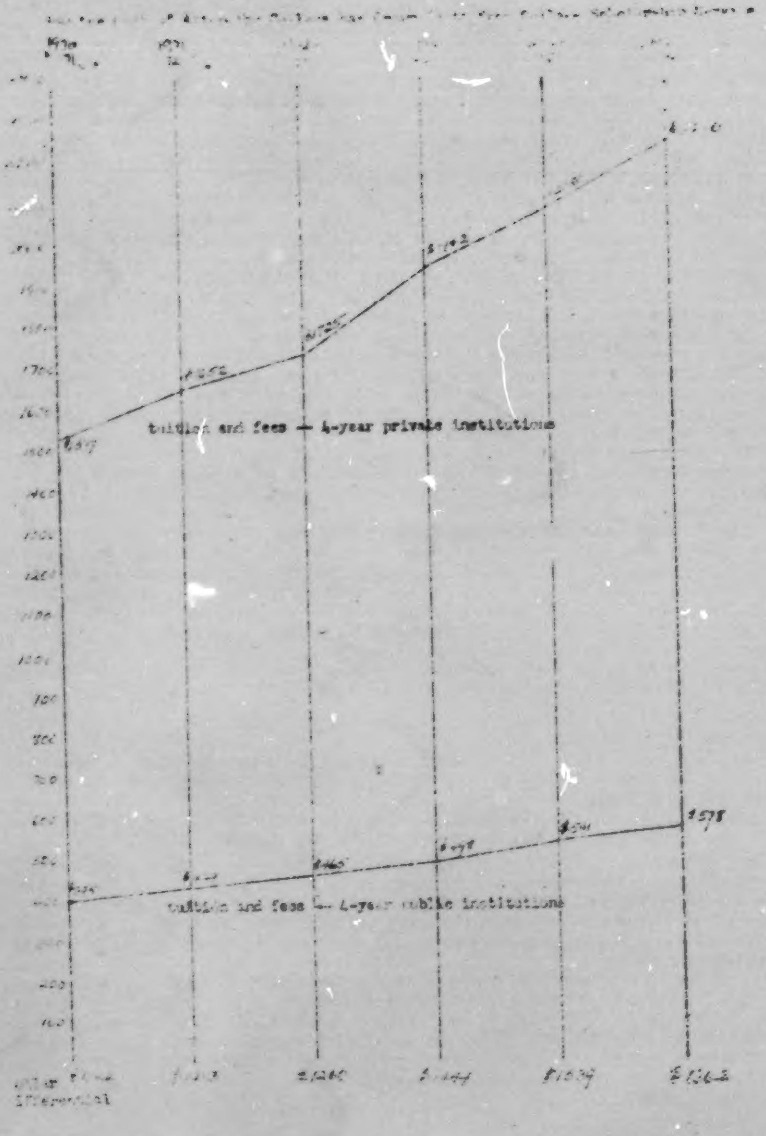
The cost differential between the tuition and fees at public and private institutions has been increasing rapidly over the past five years as the enclosed graph makes clear. If we are to talk of low or almost no tuition, I believe, we must also look to forms of decreasing that cost differential, otherwise, our alternative is to provide no choice of institutions from which to select.

I am happy that Representative O'Hara is looking at the total student package and I know he has a grasp on the present situation in higher education across the nation. I agree with the conclusion that he expressed in a recent speech in Dallas that we need new delivery systems for the new kinds of students particularly the part-time and the over twenty-one and the over thirty-five. However, I see H. R. 3471 as concerning itself almost entirely with only seventy percent of the population enrolled in our institutions.

I trust that these remarks and the accompanying graph will help make more specific my concerns.

Sincerely,

Sister BARBARA BRUMLEVE, S.S.N.D.,
President.


1700
1600
1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
300
200
100
tuition and fees — 4-year private institutions
tuition and fees — 4-year public institutions
$578
Dollar Differential
$1266
$1539

PREPARED STATEMENT OF ROBERT J. PITCHELL, EXECUTIVE DIRECTOR, NATIONAL UNIVERSITY EXTENSION ASSOCIATION

Mr. Chairman and Members of the Committee: The National University Extension Association is strongly supportive of all efforts to bring about greater equity for all students in federal and state student aid programs. Our members are particularly supportive of efforts to eliminate the long-standing discrimination that has existed between eligibility of full- and part-time students for grants and loans. Until last year, no part-time student was eligible for a BEOG, and under the SEOG program, part-time students have often been excluded from eligibility by institutional student aid policies. You will recall from our previous testimony that according to a survey by the Commission on Non-Traditional Study in 1972, 34 percent of 1,178 colleges and universities studied made no financial aid available to part-time students.

H.R. 3471 is a highly commendable bill in that it attempts to deal with both of these forms of student aid discrimination. The opening up of the BEOG program to all part-time students is, in our opinion, a significant breakthrough. In our previous testimony we noted that according to the most recent census data the average family income of part-time students is lower than the average family income of full-time students. Most of these students attend part-time because they are young working heads of families and are not able to attend school full-time while they support their families. Others attend part-time because their family's income is inadequate to forego income from a working child who might otherwise be able to attend full-time. It is essential that these students be given an equal chance to receive aid on a proportionate basis if they qualify for aid in accordance with whatever aid formula is applied to full-time students.

Generally speaking it is not anticipated that part-time students will qualify for SEOG's in any large number. But to the extent that they do, we believe that the removal of institutional discretionary authority in awarding SEOG's to individual students is a step in the right direction. The same eligibility criteria ought to be applied to all students nationally and not left in the hands of institutional officers to discriminate in the awarding of available funds as they see fit, however meritorious their intentions.

Inasmuch as this association has not taken a position on other sections of Title IV, we will abstain from comment on those parts.

UNIVERSITY OF THE STATE OF NEW YORK.
Albany, N.Y., Wednesday, April 30, 1975.

Hon. JAMES O'HARA,
Chairman, Subcommittee on Postsecondary Education, Committee on Education and Labor, Cannon House Office Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: I want to commend you on the development of a thoughtful and comprehensive program in HR-3471. It recognizes the role of the states in higher education and provides an opening for state and federal sharing of support for student financial aid programs. Even so, I have some basic questions about your proposals and offer the attached suggestions in a constructive spirit.

In March of this year the Board of Regents issued their recommendations on federal legislation, including postsecondary education, in "Federal Legislation and Education in New York State." A copy is attached. The suggestions that we are making on HR-3471 have been developed from this document, and represent only a part of the recommendations contained therein. We are pleased to provide these comments and would appreciate the opportunity to discuss them in greater detail.

We would also like to offer our services in another way. Last year, the State Education Department conducted a study of how full-time undergraduate students finance their education. This year we are doing a similar study of full-time graduate students. We found the data to be quite valuable in formulating our own student financing plans and in evaluating federal programs. We would be pleased to discuss these studies and to make special analyses of our data in order to answer questions on how students use the various sources of available aid.

We hope that our comments are useful at this point. We will watch the progress of HR-3471 and stand ready to help in any way we can to make it possible for students to understand financial aid programs at both the federal and state levels.

Faithfully yours,

EWALD B. NYQUIST.

NEW YORK STATE EDUCATION DEPARTMENT COMMENTS ON THE FEDERAL STUDENT FINANCIAL AID BILL (HR-3471)

HR-3471 is a comprehensive proposal to revise federal student financial aid programs. Since 1958, individual programs have been established and amended, but until now there has not been a good look at how these programs interrelate.

New Yark State recently considered the inter-relationships of its student financial aid system and in 1974 there was a major revision of New York State's financial aid program. When fully phased in, the new state grant and scholarship program will spend approximately $150 million each year, almost double the amount spent prior to the revisions. Building upon the federal Guaranteed Student Loan Program, the state provides interest subsidies to certain students who qualify for a federal guarantee on their loans but not for full federal interest subsidy. Administrative changes were also included in the revisions.

The new state program is designed to:

1. Extend access to postsecondary institutions to all high school graduates, regardless of economic circumstances.
2. Provide all students with the resources necessary to attend postsecondary institutions that best meet their needs, whether the institutions are public, private, or proprietary.
3. Provide all institutions with a reasonable chance to compete on a program and a qualitative basis.
4. Complement existing institutional and federal programs and provide minimum bureaucratic obstacles to student participation.

These second principles are worth considering in any proposal to revise Title IV of the Higher Education Act. The limited ability to coordinate federal and state programs at the state level is the major obstacle to establishing a financial aid program which makes it easy for students and their parents to predict the true cost of different educational options. More must be done to achieve better federal-state coordination of programs. Enough emphasis cannot be placed on the need for students to have early knowledge of the amounts of funds they can expect. I clear idea of the amount of financial aid students will receive is as important as low tuition in achieving freedom of access and freedom of choice.

While entitlement programs are of primary importance, there is still a place for campus based programs to meet the needs of those students who find themselves in exceptional circumstances that entitlement programs cannot take into account.

There is a great deal of emphasis in HR-3471 on keeping tuition rates as low as possible. In the move toward universal access to higher education, we feel that the use of low tuition as a device for funding students is not a course that states can afford. While the federal government would be encouraging what is indeed a desirable goal, the state must provide the wherewithal. Subsidizing those individuals who cannot afford higher education is far more efficient than general subsidies, in the absence of a substantial commitment of federal funds. New York State and its political subdivisions will provide approximately $1.4 billion in support of higher education this year. The major share of these funds is institutional aid for public and private institutions in order to limit tuition charges. HR–3471 would involve an expenditure for the nation of only $1.8 billion. Less than $200 million would be used in New York State, and over half of this would be used in the loan and work programs. The grant programs would provide slightly more than $150 per enrolled full-time student in New York State and local governments provide an amount equal to more than $2,400 per full-time student enrolled in public and private institutions. Subsidies for public institutions alone amount to more than $3,400 per full-time student. In the area of student aid, our students have found that the state provides the largest proportion of grant money received by low income college students. The sources of grant funds in 1973–74 are summarized in Appendix A. The proportions of funds provided are too small for the federal government to influence the price structure of higher education. Even so, the proposal is an interesting one that we could probably adjust to.

HR–3471 does include many features that would move us closer to the objectives outlined above. The comments that follow on revisions to the bill are drawn largely from the recently issued paper of the New York State Board of Regents, "Federal Legislation and Education in New York State." This document was developed through a process that began in the fall of 1974 and involved the consultation of representatives of all sectors of postsecondary education in New York State.

I. BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM (BEOG)

Elimination of assets from consideration in the means test used to make BEOG awards is more equitable than the current system and will make entitlements far easier to understand. Publication of the proposed family contribution schedule one year prior to the effective data will also be a great aid in enabling students and their families to plan the financing of educational costs.

The BOEG program should become a true entitlement program without reductions for less than the full funding, and grant amounts should be more reflective of educational costs. We recommend that the maximum entitlement be adjusted from $1,400, according to some national index of increases in the cost of education, and that the program be fully funded. The maximum payment should continue to be limited by the cost of attendance although an increase from ½ to ¾ of the cost may be in order.

If the program cannot be fully funded, the grant reduction system used should be simple and should be the most equitable one possible. More consideration should be given to the use of the cost of education limit as a means of limiting grant amounts. We believe the most equitable adjustment can be made through use of the cost of attendance factor. If funds are available, it would be ideal if full entitlements could be paid. If funds are not available, students should receive a similar share of the cost of attendance.

Several states have grant programs that spend amounts larger than the federal grant funds provided to students within those states. In order to coordinate these major sources of grant funds we recommend that the U.S. Commissioner be required to contract with states that are willing to administer the BEOG program in accordance with federal regulations. Students could thus get a single notice of their federal and state entitlement. Actual payments would continue to be handled in the present manner.

II. SUPPLEMENTAL OPPORTUNITY GRANT PROGRAM (SOG)

HR–3471 calls for moving the administration of the current Supplemental Educational Opportunity Grant Program (SEOG) from the campus level to the

U.S. Commissioner. We recommend that the program be left at the campus level to meet the needs of students who wish to attend a relatively high cost institution and who may not be eligible for a BEOG because of the relatively crude means test used.

We also recommend that the current SEOG program not be converted to a scholarship program. Undergraduate education is committed to expanding freedom of access and choice. This can best be done through non-competitive grant programs. Prior to the 1974 amendments of the New York State law, maximum scholarships of $1,000 and grants of $600 were awarded. The program now provides scholarships of $250 and maximum non-competitive grants of $1,500. Academic performance should be recognized, but scholarships should not be a major vehicle through which students are funded.

However, if the federal government is to establish a scholarship program, funds should be made available to states that operate programs of competitive grants based on academic achievement as well as need. Many states have scholarship programs, and these should be built upon rather than adding a new program.

We are also concerned that the proposed method to determine SOG grants allows their abrupt elimination at certain income levels. Appendix B includes technical notes on this point.

III. STATE STUDENT INCENTIVE GRANT PROGRAM (SSIG)

The expansion of the authorization for this program would be a welcome step. Hopefully, appropriations would approximate the authorized level of spending. It might be useful to add a threshold level of funding for the SSIG program in addition to the Supplemental Opportunity Grant and College Work-Study programs before Basic Educational Opportunity Grants can be made.

We recommend that the authorization to use SSIG funds for capital construction not be retained in the bill. We feel it is best to keep student financing a separate issue from other types of financing. Capital construction as well as institutional financing would be more appropriately addressed as part of HR-3470.

The proposed state allotment formula still requires further analysis. The formula encourages states to put any new funds into institutional aid at public campuses to reduce tuition rather than into institutional aid to reduce tuition in the private sector or into student aid. Consideration should be given to the elimination of the tuition factor from the formula as its effect is already included as part of the institutional aid factor. Also, inclusion of the total personal income factor may not solve problems, because of variations in income distribution. States often do not have the kind of tax and program structures that permit transfer payments to low and low-middle income people. In any event, total disposable income should be used rather than total personal income.

The formula is not quite neutral and we do not feel that the only way to extend access to postsecondary education is by encouraging states to increase institutional support and reduce tuition in the public sector.

IV. COLLEGE WORK STUDY PROGRAM (CWSP)

The expansion of the authorization for the CWSP program and the use of the threshold funding requirement would be important improvements in this vital program. Our experience in New York has shown that many low income students, especially at community colleges, indicate a marked preference for working rather than borrowing in order to finance education.

The job creation program proposed within the CWSP section of the bill is quite similar to a proposal made by the Board of Regents for the Cooperative Education Program. We feel that every effort should be made to expand the number of non-CWSP, as well as the number of CWSP, jobs that are available to students.

The one proposed revision to the CWSP program that we cannot support is the removal of need as a criterion for award CWSP jobs. Until there are enough jobs for all students desiring them, jobs should continue to be given to students who show financial need. Additional funds made available to the program would permit the distribution of more funds to middle-income students. The job creation program would also benefit this group of students.

V. LOAN PROGRAMS

HR-3471 would eliminate the National Direct Student Loan Program (NDSL) and make a number of changes in the Guaranteed Student Loan Program (GSLP). The Board of Regents has developed a recommendation that would combine the key provisions of both loan programs. The recommendation is to permit institutions to use existing NDSL collections and sell NDSL notes to agencies such as the Student Loan Marketing Association in order to make new loans under the Guaranteed Student Loan Program. Post-secondary institutions should be permitted to authorize the handling of their loan program by banks. A review panel process would be used to approve a level of lending for each postsecondary institution. This would allow institutions to remain lenders at levels equal to or higher than current loan levels, even though the NDSL program would be eliminated.

We feel that institutions have a role as lenders and that the default rate on loans made by schools is not necessarily higher than loans made by banks. The proposal would permit institutions to serve students with special needs and provide another source of loans in areas where traditional lending institutions cannot meet the demand for loans. Banks have been quite cooperative with the New York Higher Education Assistance Corporation Loan Program, but schools as an alternate source would be critical in many states. In New York we have found that the dollar default rate of NDSL borrowers at the State University is virtually the same as the dollar default rate on GSLP loans made to New York State residents. The panel review process can be used to monitor individual institutions that have an unusually high default rate. In order to implement this proposal it is critical that the instituions not be excluded as lenders under the Guaranteed Loan Program.

As a single loan program would replace the two we have at present, the maximum annual loan should not be reduced. Many undergraduate students have made use of both loan programs in the past and many graduate students require loans in excess of $1,500 per year.

We also recommend that the interest subsidy cut-off for student borrowers be increased to $30,000 adjusted family income. The $15,000 adjusted family income standard dates back to 1965 and is no longer appropriate.

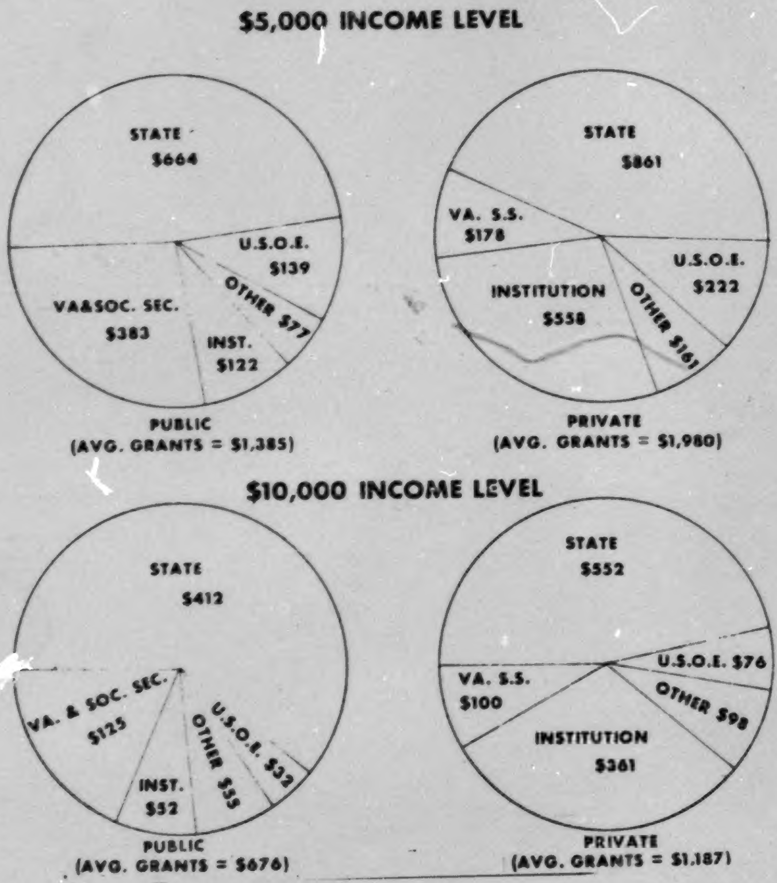
We would like to see more of the administrative costs of state loan agencies covered by federal funds. We feel it would be an excellent move to require all states to establish loan agencies. The better service that state agencies can provide will pay dividends in terms of reduced default rates and improved service for students. Through the New York Higher Education Assistance Corporation loan program the state has been able to build upon the basic federal program and provide services to students who would not be covered by the federal program.

VI. SPECIAL PROGRAMS FOR STUDENTS FROM DISADVANTAGED BACKGROUNDS

These programs can be better coordinated and can provide improved services. We recommend that the concept of Educational Opportunity Centers be expanded. Such centers should provide outreach, guidance, counselling, referral, and placement services, and information about available programs and financial assistance to persons within the geographical area served by the center. The centers should be developed within a statewide plan. The Upward Bound and Talent Search programs should be absorbed by the centers but the Special Services for the Disadvantaged Program should be continued separately.

Appendix A

SOURCES OF GRANTS MADE TO COLLEGE STUDENTS AT NEW YORK STATE INSTITUTIONS BY INCOME LEVEL AND TYPE OF INSTITUTION
1973-74



APPENDIX B

TECHNICAL NOTES ON PROPOSED METHOD OF DETERMINING AMOUNT OF INDIVIDUAL SUPPLEMENTAL OPPORTUNITY GRANTS

The amount of individual Supplemental Opportunity Grants (SOG) would be equal to the full cost of tuition, fees, books, other instructional costs, and living or commuting cost less the expected family contribution determined under the Basic Opportunity Grant Program (BEOG). The rate at which the contribution rises as income rises is used to reduce maximum grants of $1,400 down to $100 at approximately $12,000 gross income. It is assumed that the maximum SOG would be much higher. If the maximum is $4,000, and is reduced by the BEOG expected family contribution, the grant would be $2,700 at the $12,000 income level. Any increase in income beyond this level would result in the elimination of grant eligibility. Thus, a small increase in income would result in a loss of grant eligibility that greatly exceeds the income change.

Before the recent revisions of the New York State grant program we had a similar problem because of a stepped scale that related to income levels. The new program reduces grants on a sliding scale as income rises, eliminating abrupt decreases in grants.

Federal Legislation and Education in New York State

The University of the State of New York
The State Education Department
Albany

March 1975

THE UNIVERSITY OF THE STATE OF NEW YORK

Regents of The University *(with years when terms expire)*

1984	Joseph W. McGovern, A.B., J.D., L.H.D., LL.D., D.C.L., Litt.D., *Chancellor*	New York
1981	Theodore M. Black, A.B., Litt.D., LL.D., Pd.D., *Vice Chancellor*	Sands Point
1978	Alexander J. Allan, Jr., LL.D., Litt.D.	Troy
1987	Carl H. Pforzheimer, Jr., A.B., M.B.A., D.C.S., H.H.D.	Purchase
1975	Edward M. M. Warburg, B.S., L.H.D.	New York
1980	Joseph T. King, LL.B.	Shelter Island
1981	Joseph C. Indelicato, M.D.	Brooklyn
1976	Helen B. Power, A.B., Litt.D., L.H.D., LL.D.	Rochester
1979	Francis W. McGinley, B.S., J.D., LL.D.	Glens Falls
1986	Kenneth B. Clark, A.B., M.S., Ph.D., LL.D., L.H.D., D.Sc.	Hastings on Hudson
1983	Harold E. Newcomb, B.A.	Owego
1988	Willard A. Genrich, LL.B., L.H.D.	Buffalo
1982	Emlyn I. Griffith, A.B., J.D.	Rome
1977	Genevieve S. Klein, B.S., M.A.	Bayside
1981	William Jovanovich, A.B., LL.D., Litt.D., L.H.D.	Briarcliff Manor

President of The University and Commissioner of Education
Ewald B. Nyquist

Executive Deputy Commissioner of Education
Gordon M. Ambach

FOREWORD

The 94th Congress will consider legislation in at least three major educational areas—postsecondary education, vocational education, and the education of children with handicapping conditions. The Regents recommendations in this document focus on these areas.

Postsecondary Education. The Regents recommend review of the several Federal grant, loan, work-study, and cooperative programs with particular attention to amending the Basic Educational Opportunity Grant Program so that it is an "entitlement program" and to consolidating the two student loan programs into a single guaranteed loan program.

Vocational Education. The Regents recommend that the Vocational Education Act of 1963 as amended in 1968 be reshaped to consolidate categorical programs and to assure that Federal funds are linked effectively with State and local funds to implement State priorities and plans for vocational education.

Education of Children With Handicapping Conditions. The Regents recommend a reshaping of several existing programs into a major consolidated act for all aspects of the education of children with handicapping conditions.

In addition to major recommendations in the above areas, the Brochure describes the Regents continuing position on the Federal role in education and the basic principles underlying Federal financing of educational programs.

I join with the Regents in urging consideration of the recommendations by the Congressional Delegation of New York and other states, the President, and the executive agencies concerned with education.

Faithfully yours,

Ewald B Nyquist

EWALD B. NYQUIST

I. THE FEDERAL ROLE IN EDUCATION

Introduction

During the past 15 years, the Federal Government has taken an increasing role in supporting State and local educational agencies and institutions of postsecondary education. Impressive legislation has been enacted—including the National Defense Education Act of 1958, the Vocational Education Act of 1963, the Higher Education Facilities Act of 1963, the Library Services and Construction Act of 1964, the Elementary and Secondary Education Act of 1965, the Higher Education Act of 1965, the Education Amendments of 1972, and most recently, the Education Amendments of 1974. Most major educational areas have been affected by Federal legislation. A major breakthrough was made in the provision for forward funding of certain Federal education programs for fiscal year 1976.

In this period, Congress has experimented with alternative patterns of governance for federally funded programs. There has been a tendency for the traditional Federal pattern which linked national to State to local units of government to be supplemented, and sometimes supplanted, by new arrangements through which regions, counties, and states have related directly and separately to the Federal Government. A recent example is the manpower legislation—Comprehensive Employment and Training Act.

The last national Administration promised both a reorganization of the existing delivery systems and agency structure and a return to the traditional pattern of Federalism with reliance on national to State relationships. The promise has not been fulfilled. That Administration, for example, increased personnel in Washington's central offices and in Federal regional offices. The effect has been an additional layer of Federal bureaucracy and wasteful expense during a time of economic trouble. The current Administration is urged to take a different view and promote greater Federal coordination for education.

Education is a national concern, a State function, and a local operational responsibility. The focal point for coordination is the State level. State education agencies should be designated to provide the intermediate services of planning, administering, and evaluating Federal programs in the local educational agencies and institutions. For example, National Institute of Education (NIE) programs in educational research and development should be operated in partnership with the State. The Fund for the Improvement of Postsecondary Education (FIPSE) which promotes innovative changes in postsecondary education should operate in partnership with the States.

New Federal legislation is not required to strengthen the State-national partnership. Part C, Sec. 421 (b) of Public Law 91-230, as amended, of the General Provision Concerning Education, gives the U.S. Commissioner of

Education authority to use the services and facilities of any public agency in the administration of any education program in accordance with appropriate agreement.

Guidelines for Federal Funding of Education Programs

In the 1975 session, Congress will be considering various options for the support of early childhood, elementary, secondary, and postsecondary education. In any of these areas, the following principles and administrative factors should be incorporated:

Principles for Federal Education Support

1. Once appropriation levels for Federal education programs are set for a fiscal year, they should not be altered by Administration deferrals or rescissions.
2. Elementary and secondary education is the responsibility of the State and the major portion of funding for such education is from State and local resources. Federal funding should supplement these resources and should be directed toward particular Federal purposes.
3. Federal funds should provide services to particular population groups, such as special aids for the economically and educationally disadvantaged, the mentally and physically handicapped, the gifted and talented, persons in programs of occupational education, and early childhood education programs.
4. Federal funds should be provided to the States in a manner that will permit and enhance the combination of Federal with State and local funds in equalization of opportunity among school districts in a State, and in programs of postsecondary student assistance, such as the State Scholar Incentive Program.
5. Federal funds should assist in equalizing educational opportunities and outcomes among the States. This does not necessarily mean equal dollars per pupil to all States. The factors of regional difference in cost of services, tax effort, and the fiscal capacity of the State related to the overall commitment to expenditure for social programs must be considered in the Federal distribution of funds.
6. In addition to support of educational operations as indicated above, Federal funds should be used for research and development activities which require a critical mass of resources not available to a single State, local school district or institution; and for educational personnel development through aid to the States for both preservice and inservice training in educational institutions and in teacher centers.

Administrative Factors for Federal Education Programs

1. Federal funds should be administered through State education agencies in order that these funds can be linked with State and local resources for a coordinated support of education. Six percent of Federal funds should be used for developing State plans for the use of

funds, administration of funds, monitoring of programs, and for evaluation of programs. Federal regional service offices should be discontinued in order to provide a direct relationship between the States and the U.S. Office of Education in the administration of Federal programs. In administering Federal funds, the States should require that local school districts have district *and* school plans for the use and evaluation of Federal funds.

2. Research and development funded by the Federal Government should be conducted cooperatively between Federal agencies and those State agencies having the capacity. Research and development program efforts must link Federal, State, local school, and classroom personnel in a vertical relationship to assure that these efforts will have a direct impact on instruction.
3. Appropriations for Federal programs should be made 1 year in advance in order to permit orderly and efficient planning at the local and State level for the use of such funds.

Federal Support of Nonpublic Education

Private and parochial schools and institutions are in a critical fiscal plight and have turned to public sources for support beyond that already available. Federal legislation regarding education in private or parochial schools must be in harmony with the following principles:

Such legislation should not jeopardize the welfare, stability, and adequate support of the public schools.

Such legislation should be effective in providing meaningful opportunities to children of lower income families who, of all groups, have the least option in determining when and where their children are to be educated, and to middle-income families whose resources are strained by high tuition costs.

Public support of nonpublic education must be sufficient to maintain a pluralistic system adequate in quality and economical in operation but not so excessive as to jeopardize the independence of the nonpublic school or dry up sources of private and philanthropic support or encourage organization of new schools with the purpose or effect of increasing racial separatism.

Such legislation should require accountability for public funds received, should contain safeguards against increasing racial and social class isolation in the nonpublic schools, should provide for no use of public funds for any sectarian purpose or function, and provide that admission policies be nondiscriminatory except where permitted by law on the basis of creed.

All nonpublic schools receiving public funds must be required to meet standards of quality prescribed by public authority but the Federal Government should not be involved in the operation of nonpublic schools.

Finally, such legislation must conform to the principles of constitutionality already enunciated by the courts or have reasonable prospect of being approved by the courts in the event of a challenge to its constitutional validity.

With the general principles set forth in this section as background, the Regents present their 1975 recommendations in three major areas—postsecondary education, vocational education, and education of children with handicapping conditions.

II. POSTSECONDARY EDUCATION

Major Issues for 94th Congress

The legislative process has already begun which will lead to amendments in Federal postsecondary education laws within the next 2 years. The laws of importance in this area to be considered by Congress during its 94th session are the Higher Education Act of 1965, the Vocational Education Act, and certain other laws related directly to these acts.

The following is a brief listing of major issues and problem areas which must be addressed by Congress as it considers changes in Federal postsecondary education laws this year.

—The need for increased recognition in Federal law of the roles, responsibilities and efforts of States in planning, coordinating and financing postsecondary education, including recognition of the diversity among States with respect to fiscal capacity, effort, economic conditions, diversity of postsecondary educational institutions, and structure for coordination, administration, and governance of postsecondary education; and in development of Federal programs which build upon, and are coordinated with, State programs, rather than Federal programs which ignore or duplicate State efforts.

—The need to relate Federal requirements for State planning for segments of postsecondary education to State comprehensive planning. Federal law should require that State planning related to all Federal postsecondary education programs at the 1- and 2-year levels be carried out in the context of State comprehensive planning for postsecondary education.

—In the face of projected declining enrollments and continued inflation, the need to assess existing Federal programs and possible new initiatives which will preserve quality and diversity in postsecondary education.

—The need to continue the initiatives of the Education Amendments of 1972 with respect to student assistance, especially the Basic Educational Opportunity Grant Program and the State Student Incentive Grant Program. While the need for continuation should be stressed, emphasis should also be on the definition of the overall objectives of the Federal programs (individually and collectively, which are aimed at giving students freedom of access or choice), the simplification of programs, the refinement of administration, and the improvement of coordination. This should occur not only among Federal programs, but between Federal, State, and institutional programs as well.

—Among Federal programs aimed at national problems that are unique at State and local levels, the need for consolidation, simplification and decentralization of administration of those programs at the State level. Included in this area are programs of aid to institutions or students designed to complement and build upon Federal programs within the context of State needs; and programs designed to provide outreach, guidance, counseling, remedial services, testing, and referral services for disadvantaged students.

—The need to examine in detail both the philosophies behind, and the present administration of, the Guaranteed Student Loan Program and the National Direct Student Loan Program. It should be determined whether either of these programs should be discontinued; or, if both are to be continued, what changes in the law are needed to improve operations.

—The need for the recognition that strong graduate programs are in the national interest and should, therefore, be increasingly funded by the Federal Government rather than the States.

—The need for incentives within Federal legislation for increased interaction between traditional higher education institutions and the world of work. This should include enlargement of existing work-study programs for the purpose of enhancing educational experiences in addition to providing student financial assistance.

While there are other issues or problems worthy of consideration in addition to those listed above, these issues are of the highest priority and require constructive Federal action in 1975.

Student Assistance Programs

The strongest possible support must be given for the continuation and full funding of the two principal student assistance initiatives of the 1972 Amendments: the *Basic Educational Opportunity Grant Programs* and the *State Student Incentive Grant Program.*

It is further recommended that other student assistance programs authorized in Title IV of the Higher Education Act (specifically the Supplemental Educational Opportunity Grant Program, College Work-Study Program, and Guaranteed Student Loan Program) be reauthorized.

In the remainder of this section, specific recommendations related to each of the student assistance programs are described.

Basic Educational Opportunity Grant Program (Title IV, Part A, Subpart 1, Higher Education Act, 1965)

Present Program. This is a 100 percent federally funded grant program, based on the conception that all students are entitled to receive grant assistance, provided they are in need of such funds in order to attend an eligible postsecondary institution. The program is designed as the foundation or "floor" upon which, ultimately, all other student aid will be based. Student eligibility for the Basic Grant Program is determined by the Government (through a contractor), using a standard "eligibility index" based on standard allowances and expectations with respect to both income and assets. Eligibility index figures are made available to the student, who is then free to arrange with the institution of his or her choice for receipt of the Basic Grant, subject to limits based on the eligible costs of attendance at the chosen institution and on the eligibility index. Provision is made in the law for certain restrictions on student eligibility and for ratable reduction in years of less than full funding. Individual student Basic Grants are limited in any academic year to $1,400 or one-half of the eligible costs of attendance, whichever is less. The Office of Education publishes a Schedule of Payments which relates the eligibility index to eligible costs to arrive at individual grant amounts.

Recommendations. Continuation and full funding of the Basic Grant Program is strongly recommended. It is also recommended that changes be made in the program to simplify the determination of "eligibility index," that allows for increases in the cost of education, to require use of States to administer portions of the program (provided that States desire to contract to do so), and to simplify and improve the administration of the program in general. Specific recommendations are as follows:

1. The Federal Government should move quickly to establish the Basic Grant Program as a true *entitlement* program (such as the Veterans Educational Benefits) *without* provisions for reduction of benefits if appropriations are less than those necessary to pay full entitlements.
2. The determination of the eligibility index should be simplified in line with the approach used in New York State's Tuition Assistance Program (including elimination of consideration of assets; use of "adjusted net taxable balance"; providing allowances for additional children enrolled at least half-time in institutions of postsecondary education at the rate of $1,500 for the second child and $1,000 for each additional child enrolled; and consideration of nontaxable income except for only one-half of veterans benefits and none of the student's social security benefits).
3. The maximum award under the program should be adjusted annually from the present level of $1,400 in accordance with a national index of increases in the cost of postsecondary education.
4. The present limitation of awards to one-half cost of attendance should be examined, with consideration given to the alternatives of maintaining the present limitation or of increasing the limitation to three-quarters cost of attendance.
5. The law should be amended to require that the U.S. Commissioner of Education contract with States willing to contract to process, in accordance with Federal regulations and criteria, the Basic Grant applications for State residents, and to coordinate eligibility notices

under the Basic Grant Program with award notices under the State's program. Under this arrangement, the student could file a single application with the State for both the State grant program and the Basic Grant Program, and the State could then process the Basic Grant application to determine the eligibility index. The system could then provide the student with a single award notification combining Federal and State assistance.

6. The law should be amended to simplify, to the extent possible, provisions related to reduction of benefits if appropriations are less than necessary to pay full entitlements.
7. The law should also be amended to change the date on which the U.S. Commissioner is to submit the proposed eligibility index schedule to Congress so that the schedule would be approved by January 1 in order to provide greater lead time for processing of student applications prior to the academic year in which the Basic Grant will be used.

Supplemental Educational Opportunity Grant Program (Title IV, Part A, Subpart 2, Higher Education Act, 1965)

Present Program. This is a program of grant aid to "exceptionally needy" undergraduate students, based on financial need calculations made by postsecondary institutions. Student grants under the program, which is one of those to be built on the "floor" provided by Basic Grants, are made from 100 percent Federal funds; they cannot exceed one-half of the total amount of financial assistance actually awarded to the student for a given academic year (including Basic Grants, College Work-Study, National Direct Student Loan, and State and private scholarships) or $1,500, whichever is less. There is a $4,000 overall ceiling on payments to any student ($5,000 for a 5-year study program), and no payment of less than $200 per academic year may be made to any individual student. Renewal payments are also authorized, based on then current financial need.

Distribution of Funds: Ninety percent of the Federal dollars appropriated annually for the SEOG program are allotted among the States on the basis of student attendance figures. The remaining 10 percent is allotted in accordance with the U.S. Commissioner's discretion. Institutional allocations within the States are based on the recommendations of regional panels composed of financial aid officers and USOE regional staff members who assess the validity and precision of institutional requests. Student payments are made from within institutional allocations, and up to 10 percent of an institution's SEOG allocation may be transferred to its College Work-Study fund.

Recommendations. The Supplemental Opportunity Grant Program should be reauthorized to meet the needs, as under present law, of (a) students who, because of the gross process for eligibility determination under the Basic Grant Program, may be found ineligible for a Basic Grant even though they are found to have exceptional need by an institutional student aid officer; and (b) students who wish to choose relatively high cost institutions, but who, without a Supplemental Grant, could not do so.

The law should be amended to require that the process for submission and review of institutional applications be an open process at the State level, and that allocations among institutions be published. In line with this policy of openness, it is further recommended that the law require that the U.S. Commissioner of Education involve the appropriate State agency to assist institutions in preparation of applications, and to review and confirm the accuracy of enrollment and financial information in applications within the State, and to involve representatives of State agencies in the regional panel review process.

The State-level review should be accomplished in an open manner with full and active participation of student aid officers from within the State. With the improved State-level review, the regional review panel process should be simplified to assure that the new State review does not simply add a new layer to the application process.

The wording "appropriate State agency" is used deliberately to give States as much flexibility as possible regarding which State agency is given the administrative responsibility for the review process. The law should require that a State demonstrate the way in which administration of student assistance programs is coordinated with comprehensive planning for postsecondary education in the State—whether or not some or all programs are administered by the same agency.

State Student Incentive Grant Program (Title IV, Part A, Subpart 3 Higher Education Act, 1965)

Present Program. This is a program of 50-50 cost sharing (State-Federal) under which States are encouraged to develop or expand programs of grant aid to "substantially needy" students attending eligible institutions of postsecondary education. The States are responsible for selection of grant recipients, subject to review of selection criteria by the U.S. Commissioner of Education. Individual student grants are limited to $1,500 ($750 Federal share) per academic year.

Federal funds are allocated (and reallotted) to the States based on a formula reflecting current student attendance patterns. Reallotment of funds to other States is permitted in cases where a State will not or cannot take advantage of its current allotment. There is no prescribed suballocation procedure within a State, although a State may employ whatever distribution procedure is within the overall scope of the statute. There is no provision for any set-aside of administrative expense funds to offset costs incurred by either Federal or State governments in program administration. Disbursements are made directly from the Federal Government to the States.

Recommendation. It is strongly recommended that the State Student Incentive Grant be reauthorized and that the authorization level be increased from the present $50 million to $200 million. Under this program, virtually all States have established or expanded State student grant programs. Because the program incorporates a State-Federal matching relationship, it offers the most effective way to expand student aid. Highest priority should be given to expanding the authorization level and to appropriating funds to the level of the full authorization.

College Work-Study Program (Title IV, Part C, Higher Education Act, 1965)

Present Program. This is a cost-sharing program of Federal-plus-institutional support (80–20) for part-time and vacation-period employment for students attending eligible postsecondary institutions. Preference is given to those students with the "greatest financial need," as determined by the institution. Institutions make work assignments available to their students—including, where possible, educationally significant work assignments—the earnings from which are applied toward the students' costs of attendance as a means of supplementing financial aid available under the Basic Grant Program and other sources.

The pattern of distribution under this program is similar to that in effect for the Supplementary Educational Opportunity Grant Program. Wages are paid to students by the institutions (or by participating off-campus employers) based on current hourly rates; the institution or agency contributes 20 percent of the wages paid, and suitable arrangements are made for withholding of any applicable income taxes. Participating institutions must maintain their previous overall level of effort in the student assistance area in order to continue participation.

Recommendations. It is recommended that the College Work-Study Program be reauthorized with the authorization at or above the $400 million plus level of the present law. The emphasis of this program should be on providing meaningful work experiences related to the extent possible to the student's academic program. Nevertheless, this emphasis should not detract from the importance of the program as a source of student assistance for students with great financial need.

It is further recommended that the law be amended to require the same open review process for institutional applications and publication of allocations among institutions at the State level as recommended with respect to the Supplemental Grant Program.

Student Loan Programs

The Federal Government has two major loan programs. One is the National Direct Student Loan Program (NDSL) which began as the National Defense Student Loan Program in 1958 and is operated by individual postsecondary institutions. In 1965, the Federal Guaranteed Student Loan Program (GSLP) was established. In New York State this program is administered by the New York Higher Education Assistance Corporation which had commenced a State guaranteed loan program in 1958. In States that do not have a State agency, the Federal Government operates the program directly or contrasts with a private agency.

National Direct Student Loan Program (Title IV, Part E, Higher Education Act, 1965). In this program, the Federal Government contributes 90 percent of the principal for a revolving loan fund established at each participating institution; institutional funds comprise the remaining 10 percent. About one-third of all funds currently being loaned are drawn from collections. The student's need for a loan is determined by campus financial aid officers using needs-analysis measures approved by the U.S. Commissioner of Education. These measures are similar to those used in the other "college-based" programs—Supplemental Educational Opportunity Grant and College Work-Study Program. Loans in an aggregate amount not to exceed $10,000 are made available on a low-interest, increment repayment basis, with prinicpal repayment deferred until the completion of the student's course of study plus completion of certain forms of public service employment. Principal may be forgiven up to 100 percent of the amount borrowed, if the student should elect to enter into certain specialized fields of teaching.

Guaranteed Student Loan Program (Title IV, Part B, Higher Education Act, 1965). This is the largest of the Federal student assistance programs, although the funds necessary to provide student loans are provided entirely off-the-Federal-Budget through primary and secondary market sources in the private sector. (In New York, banks are highly committed to the program, as indicated by the $1.4 billion loaned since 1958.) Federal funds are available to pay insurance claims on federally insured loans, and re-insurance of claims on student loans guaranteed by State or private nonprofit agencies.

Comment. By chance, students with similar economic circumstances may be treated unequally depending upon what loan program is available to them. The two programs differ significantly in student eligibility standards, on the interest rate charged, and the cancellation of principal and interest because of later employment. Institutions are treated differently by the two programs as to the recovery of administrative expenses. States are treated differently depending on whether or not they establish a State agency under the Guaranteed Student Loan Program.

Recommendations. The Regents recommend legislation to combine the key provisions of the two loan programs into a new Federal guaranteed loan program. The new guaranteed loan program would be based on the following principles:

1. Low-income students requiring loans of necessity should have Federal subsidies available, but to the maximum extent possible such students should rely on grants during their first 2 years of study.
2. Students at all income levels should be eligible to receive guaranteed loans at a reasonable rate of interest.
3. Postsecondary institutions, State loan agencies and financial institutions should each have a substantial role in the administration of the program and be provided with the means to recover their appropriate costs of operation. Postsecondary institutions should be permitted to authorize the handling of their loan program by banks.
4. The discrimination against those States having "Agencies" for the existing guaranteed loan program should be eliminated.
5. Funds available for student loans should be expanded.

The proposed program would have the following features:

1. National Direct Student Loan notes will be marketable through an agency such as the Student Loan Marketing Association and the full marketed value will be available to the postsecondary institution marketing the note. The postsecondary institution will determine whether such funds will be used in the institution's loan program or in the program of a bank or in the State loan agency.
2. A review panel similar to that used under the current National Direct Student Loan Program would approve a level of lending for each postsecondary institution.
3. National Direct Student Loan and any other notes can be marketed by the postsecondary institutions only to an amount needed to make new loans for the current school term as approved by the review panel.
4. In the event that any postsecondary institution would not receive loan capital from the marketing of National Direct Student Loan or other notes in an amount equal to the level of lending approved by the review panel, Federal appropriation would be used to make up the shortfall.
5. The market value of notes held by a postsecondary institution that closes would be available for the use of the State loan agency of that State.
6. If loan capital is not available to meet all loan requests, first priority will be given to low-income students.
7. The Federal Government will pay the administrative costs of direct interest billing by State loan agencies; of State agency collection;

and of State agency servicing of loans warehoused with the Student Loan Marketing Association. This would reduce paperwork for lenders, including postsecondary institutions. It would encourage lenders to make more capital available. It would also keep the agencies in better contact with students in order to reduce defaults.

8. Existing cancellation provisions of the National Direct Student Loan Program would be eliminated for new loans. The initial rationale for the cancellation provision was to entice students into teaching. The current relation of supply and demand for educational personnel indicates no need for this provision. The current provisions of the Guaranteed Student Loan Program for cancellation in the event of death or disability should be retained in the new program.
9. Borrowers would be permitted to consolidate Direct Loan and Guaranteed Loan notes. This would be done by allowing current holders of Direct Loan notes to replace them with Guaranteed Loan notes. To equalize interest rates, the borrower would be required to pay only a portion (as determined by the U.S. Commissioner of Education) of a Direct Loan in converting it to a Guaranteed Loan. The balance would be cancelled.
10. Federal reinsurance for defaulted principal amounts would be raised from 80 percent to 100 percent. Full Federal payment would be made to State loan agencies for defaulted accrued interest amounts.
11. The interest subsidy cut-off for students borrowing under the Guaranteed Loan Program would be increased to $30,000 adjusted family income. The $15,000 adjusted family income standard used in 1965 when the program was originated is no longer appropriate.

The proposed program would have the following advantages: An expansion of funds available for student loans would occur by authorizing the sale of Direct Loan notes. Postsecondary institutions could continue or increase their level of lending even though the Federal appropriation level declined. A decline in the need for Federal appropriations could make more funds available for grants to low-income students. Postsecondary institutions would not have to tie up additional funds for matching purposes. Institutions could significantly reduce administrative costs if, where appropriate, banks and loan agencies serviced the loans and provided centralized collections which would probably reduce defaults in some instances.

State Comprehensive Planning for Postsecondary Education

Two points give even greater emphasis than in 1972 to the Federal assistance for State comprehensive planning authorized by the Education Amendment of 1972: first, the increasing emphasis on the role of the States as partners with the Federal Government in carrying out Federal objectives within the context of unique State circumstances; and second, the need to explore ways in which the quality and diversity of postsecondary education can be maintained in the period of projected decline in traditional college-age enrollments.

The following recommendations are made:

1. The funding of section 1203 should be increased and States should receive a basic grant of $20,000 plus an allocation based on the 18-58 age population in each State. The minimum grant under the second part of the formula should be $10,000. Thus, the minimum total grant to a State would be $30,000. Use of the 18-58 age group would be reflective of the total postsecondary education needs of the States.
2. Each Federal postsecondary education program with a State plan requirement should require that such plans be developed in relationship to statewide comprehensive planning for postsecondary education.
3. To reflect a national concern for attention to the problems of transition in a period of declining enrollments, it is recommended that, in the context of comprehensive statewide planning, the Federal Government identify and support three or four pilot projects aimed at assessing both State and institutional responses to declining enrollments.

Graduate Education

Support of excellence in graduate education as a national resource should be given far greater attention by the Federal Government than reflected in the programs presently authorized, and especially in the level of funding for those programs.

Recommendations.

1. The fellowship programs as authorized in Parts C and D of Title IX, Graduate Education, of the Higher Education Act of 1965, as amended, should be reauthorized and funded.
2. A new Federal/State partnership program in support of graduate education should be established. This program would provide Federal cost-of-education grants to graduate institutions in any State which establishes a State graduate fellowship program with these characteristics: a) the fellowships would be awarded on the basis of merit to no more than 20 percent of the doctoral students enrolled on a full-time basis in institutions within the State; and, b) the fellowships would pay to the student up to $6,000 for tuition and subsistence costs.

The amount of the cost-of-education payment by the Federal Government through the State to the institution would be based on the number of fellowship holders under the program described above in attendance on a full-time basis multiplied by $2,500, or the rate of the subsistence payment under the State program, whichever is less. The Federal funds would be available only to those institutions in States which establish merit-based fellowship programs.

Educational Opportunity Centers

The Higher Education Act should be amended to provide for a new State-level program designed to expand the concept of Educational Opportunity Centers as authorized currently under Title IV, Part A, Subpart 4 of the Higher Education Act of 1965. Under the proposed program, the Educational Opportunity Centers would be operated by postsecondary education institutions either individually or through consortium arrangements governed by the cooperating institutions. The centers would provide outreach, guidance, counseling, referral and placement services, and information about available programs and financial assistance to persons within the geographical area served by the center.

The proposed Federal program would have two parts:

1. A Federal requirement for and assistance to the States to develop a statewide plan and strategy aimed at providing, within reasonable distance of all the State's population, the services of an Educational Opportunity Center. This plan would emphasize ways to encourage existing institutions serving the same geographical areas to join together to organize Educational Opportunity Centers.
2. Grants would be made to States to finance a portion of the cost of grants or contracts with institutions or consortia of institutions seeking to plan and establish centers in accordance with the State plan.

The Special Services for the Disadvantaged Program authorized b Title IV, Part A, Subpart 4, of the Higher Education Act, should be reauthorized and continued as a program separate from the proposed Educational Opportunity Center program.

Cooperative Education (Title IV, Part D, Higher Education Act, 1965)

The Cooperative Education Program should be changed from its present form as a program supporting a limited number of pilot or demonstration projects, to a program designed to give incentives to a greatly expanded number of institutions to undertake Cooperative Education programs. The programs would not be limited to those that alternate periods of work and study.

Under this program, an institution would sign an agreement with the U.S. Commissioner of Education to establish (either as a single institution or through a consortium arangement with other institutions) a Cooperative Education coordinating ofice. This office would be responsible for planning, in conjunction with the institution's faculty and students and prospective employers, a Cooperative Education Program to be integrated with or at least to be complementary to the academic program. The office would also be responsible for seeking out employment opportunities for the students, placing the students and otherwise managing the off-campus aspects of the program.

In return for entering into this agreement with the U.S. Commissioner of Education, an institution might receive an administrative allowance for partial funding of the Cooperative Education Program. Some maintenance of-effort provision related to the Cooperative Education operation would be required.

Provisions should be added to this program to give employers of Cooperative Education students incentives to contribute not only to the wages of the students but also to the general support of the programs.

Applications by institutions for participation in the proposed Cooperative Education Program would be made in the same manner as institutional applications under the college-based student assistance programs, subject to the modifications described under the previous recommendations on the Supplemental Grant Program.

Community Service and Continuing Education (Title I, Higher Education Act, 1965)

This program should be extended at the authorization level for FY 1975. The title should be amended to give increased recognition at the national level to the concept of lifelong learning, and the greater need to plan and develop programs for adults. Title I funds should support development of a comprehensive plan for adult postsecondary education for each State in addition to plans for the federally funded projects. The comprehensive plans should include planned transition of traditional institutions to new roles serving adult student neeeds; b) articulation of postsecondary and other adult education programs, and among institutions and agencies charged with serving adults (especially those serving the same regions); and c) development of new organizational approaches, curricula or technologies aimed at serving adult learners at times, places, and in a manner appropriate to such persons' needs.

As a matter of national policy, efforts must be made to assist the transition of the traditional postsecondary education structure to a different set of circumstances in which service to the adult population is as important as service to the traditional college-age student population.

College Library Programs (Title II, Higher Education Act, 1965)

This program should be extended at the authorization level of FY 1975. The title should be amended to require that the U.S. Office of Education inform an appropriate State agency of all grants made to institutions in the State, and that the Office of Education seek comments and recommendations (to be considered advisory and not binding on the Office of Education) on all grants made under the title on a discretionary basis.

Veterans' Cost-of-Instruction Payments to Institutions of Higher Education (Title IV, Section 420, Higher Education Act, 1965)

This program should be extended with amendment requiring coordination of institutional functions required under this section with the planning and operation of Educational Opportunity Centers as proposed in the new program described on page 14.

Financial Assistance for the Improvement of Undergraduate Instruction (Undergraduate Instructional Equipment, Title VI, Higher Education Act, 1965)

This program should be extended at the FY 1975 authorization level with an amendment combining the two separate authorizations under Part A in subsections 601.(b) and (c), related to acquisition of equipment and television equipment and for minor remodeling.

III. VOCATIONAL EDUCATION

The Vocational Education Act of 1963 as amended in 1968 has provided New York State with a sound base for improving vocational education. The legislation, however, is encumbered with mandates and requirements not always reflective of the current pressing problems of the States. The Regents recommend that new vocational education legislation be enacted that is simple and flexible and will permit States to establish policies and priorities which will assure appropriate programs for all persons needing preparation for employment or retraining for new jobs. This can be done if States can administer vocational education as a single entity, develop strong coordinated planning among the agencies which deliver the parts of the program, and commit funds for priorities with minimal Federal mandate.

Principles, Issues, and Recommendations

Several basic issues and principles must be considered in the revision of vocational education legislation.

Consolidation of Current Provisions

The Vocational Education Amendments of 1968 contain 10 purposes under the State grant program. These purposes relate to programs by school level (secondary, postsecondary), by population group (adults), by target population (handicapped and disadvantaged and non-English speaking), by program element (construction, guidance, auxiliary service), and by institutional description (private schools). In addition, there are nine categorical grant programs dealing with separate program activities and population groups. These include research, innovation, residential schools, homemaking, cooperative education, work-study, curriculum development, and bilingual vocational education. Some of these are administered solely by the State. Others are handled through a combination of State and Federal administration or exclusively by the Federal Government.

In addition, there is a teacher-education provision for vocational education under the Education Professions Development Act and a special allocation to States for additional emphasis on disadvantaged persons.

Requirements for dollar matching with State and local funds are different for each program purpose and include 100 percent Federal funds in some cases, 90 percent or 80 percent Federal funds for others and a 50-50 matching percentage in the Basic Grant Program.

The multitude of purposes and parts containing a mixture of program levels, population groups, and program activities is not effective.

Recommendation. Federal legislation should consolidate all purposes and parts of the present law and be based on the concept of delivering occupational education services to specific population groups determined by age groupings. The needs of target populations, institutions selected for delivery of services and the specific program activities should be determined by the State based on a strengthened provision for coordinated, effective planning.

Sole State Administrative Agency

The present law contains provisions that Federal vocational education programs must be administered by a single State agency. This provision has created problems in States where separate State boards exist for community colleges, for vocational education, for higher education, and for elementary and secondary education. Proposals have been drafted to permit dual administration of federally funded vocational education in a State. Such proposals would encourage creation of separate delivery systems for vocational education, with diverse policies and competition among agencies for persons to enroll in programs. Procedures of this nature would lead to ineffective and costly duplication of services.

Recommendation. The provision for sole State agency administration now contained in the Vocational Education Amendments of 1968 should be retained. Administrative procedures and State agency or board arrangements within a State should be settled by the State rather than by Federal law.

Planning

While new legislation should take the direction of requiring fewer Federal categorical mandates, it must require assurances that the States have established clear priorities and have made program decisions on the basis of the needs of identified population groups. The legislation should require a strengthened system of planning and accountability from the agency administering vocational education. There must be assurance that all agencies concerned with the delivery of services are considered in plans developed by the State board responsible for vocational education.

Requirement that States should prepare both longe-range and annual plans for vocational education which are developed in consultation with all concerned agencies in a State and with a State advisory council are essential. In addition, such plans should be reviewed and approved by the Office of Education as a basis for a State to receive its allotment of Federal funds for vocational education.

To carry out such a planning requirement, the legislation should contain a separate allotment of Federal funds specifically directed to this purpose. Such funds can be allocated to the State using a formula similar to that now used to determine the amount of money available to each State for its advisory council.

Recommendation. A strong and effective planning component should be contained in any revision of vocational education legislation. Such a provision should contain sufficient provisions and requirements to assure that a State identify the ways it will meet its needs and priorities, using all the available institutions and agencies which provide vocational education services. There should be strong requirements for States to account for these accomplishments based on approved plans. Funds should be allotted to the States for planning purposes.

Population Groups Served

Vocational preparation is a major objective of education in each State. If it is to be delivered in the most effective and economical way, decisions relating to institutions to be used for delivery, priorities for specific target groups, and program elements must be made on the basis of the State's needs and developed through a coordinated planning system.

In order to accomplish this objective, Federal legislation should provide for the delivery of services by age groups in the State's population. Certain age groups (those under 18) clearly relate for the most part to specific educational agencies in the public school system. Persons over 18 can be served primarily by public and private 2-year colleges for postsecondary programs for full- and part-time preparation. In addition, adults who are already in the labor market or who require retraining can be served by many agencies including the public school system, the 2-year colleges and the private schools.

To assure that effective and economical use is made of Federal funds, new legislation should set forth purposes in terms of population groups to be served rather than by types of institutions to be used to deliver services. Such provisions should permit each State to establish policies for institutional use which best fit its structure and capabilities.

Recommendation. Federal legislation should be drafted to place emphasis on delivering occupational preparation, including career development and exploratory programs, according to the needs of specific age groups. The appropriate use of various levels of institutions and types of institutions should be left for State policy determination.

State Determination of Postsecondary Vocational System

No State can afford duplicative programs at the postsecondary and adult levels. New York State has committed its funds for postsecondary occupational preparation in 2-year colleges as opposed to establishing separate postsecondary technical institutions or area vocational schools at this level. This decision has assured that overlapping or competitive programs in postsecondary technical education do not exist.

The arrangements in some other States are potentially more costly and lead to divisiveness over the objective of assuring that services are available to all persons within a single comprehensive system. However, it is also our view that determination of the structure, organization and delivery of services is a matter for each State to determine.

Recommendation. Federal legislation should contain no provisions requiring that specific types of institutions, i.e., community colleges, technical institutes, area vocational schools, etc., be used to provide vocational education programs or that specific amounts of money be expended for specific types of institutions. Such determinations should be left to the State and based on its policies and structure.

Mandated Expenditure Categories

The present law contains three required minimum expenditure categories: 15 percent of Basic Grant funds must be used for programs for the disadvantaged, 10 percent for the handicapped, and 15 percent for postsecondary students.

New York State meets or exceeds the requirements for each of these categories of expenditure for targeted programs; however, these mandates create problems in dealing with priorities and in budgeting the limited allocations of Federal funds for vocational education. The needs for each population group are great and the special needs of target populations are of great concern, but the overriding principle of attempting to expand and improve a total local, State and Federal system requires increased flexibility in establishing priorities. When a fixed percent of the funds must be committed in a specific way without regard to a State's needs or priorities, it is possible to create an imbalance of services.

Legislation that contains strong planning and accountability provisions and clear directions to provide for specific age groups does not need mandated expenditure categories. A State should be required to justify its budget decisions relating to assignment of Federal vocational education funds on the identified needs of people and the State's priorities for solving its special problems. This principle is particularly important in States having large urban population centers requiring special attention.

Recommendation. New legislation should contain provisions for serving target population groups such as the handicapped and disadvantaged, but in place of mandated minimum expenditures in these categories, the legislation should provide that States must clearly justify expenditure decisions which reflect the identified needs of target groups and priorities established by the State.

Technical Assistance and Administrative Costs

The Vocational Education Amendments of 1968 permit the use of funds for technical assistance to local agencies and administrative purposes but do not set a percentage limit on the amount which may be used for this purpose. Other Federal education legislation has limitations such as 1 percent for ESEA Title I and 5 percent under the Adult Education Act.

In cases where limits have been set, they have restricted the capacity to adequately and effectively provide services to the local agencies conducting programs. In vocational education, it has been possible to provide the necessary statewide technical assistance staff to adequately deal with implementation of the Vocational Education Act. New York State has done this with a self-imposed limitation of apart of the State's Basic Grant to be used for administrative purposes.

Recommendation. Federal vocational education legislation should continue to contain provisions for support of statewide technical assistance, administrative costs and other ancillary services without establishing maximum percentage requirements.

State Advisory Councils

Current Federal law contains provision for State advisory councils on vocational education. These councils are appointed by Governors except in those States that have an elected State board, wherein the State board makes the appointments. In New York State, the Board of Regents makes appointments to the advisory council on vocational education.

The Vocational Education Act clearly identifies the role of councils and specifies the advisory and evaluation functions as well as their independence with respect to these functions. The State advisory councils have been helpful as a representative body whose membership can provide assistance and viewpoints with regard to policies and priorities. Present membership categories are adequate to meet the wide range of constituencies for vocational education programs.

Advisory councils should not have administrative and policy-making functions. Such activities would conflict with the statutory functions of State boards for administration of vocational education.

Recommendation. State advisory councils on vocational education should be continued in new legislation and a separate allocation of funds should be made available for their use. Advisory councils should be limited in their functions to consultation regarding long-range and annual plans, review and advice on proposed policies and practices, and periodic evaluation of the extent to which a State has achieved its objectives for vocational education.

Proposed "Vocational Education Act of 1975"

In light of these issues relating to new legislation and a review of several proposals already introduced in the Congress, the Regents believe that consideration should be given to a proposal for vocational education legislation which would simplify the administration of a vocational education program and provide adequate flexibility to meet a State's identified priorities and needs.

The proposal is presented in outline form followed by a brief explanation of each of the major provisions.

Title I—General Provisions

A. Introduction
B. Authorizations
C. Allotment Formula
D. Sole Agency Requirement
E. National and State Advisory Councils
F. Planning Requirements
G. Definitions

Title II—Program Services
- A. Elementary and Early Secondary Programs
- B. Secondary Programs
- C. Postsecondary and Adult Programs

Title III—Support Services
- A. Research and Evaluation
- B. Innovation
- C. Curriculum Development
- D. Personnel Development

Title I: The allotment formula should be developed on the basis of population alone, without the per capita income factor now used. Such a formula might use a set of age groupings with a percentage of the State's allotment calculated on each age group, such as 5 percent for ages 5 to 14; 50 percent for ages 15 to 19; 25 percent for ages 20 to 24; 15 percent for ages 25 to 65; and 5 percent for the total State population. The formula should apply to Title II programs and also to Title III activities. Funds should be provided on a "no matching" basis. No State is spending less than $4 for every dollar of Federal funds available to that State, therefore, the requirement of a State or local expenditure is no longer needed.

The sole State administrative agency provision should continue and care must be exercised to see that provisions are not included which will permit several State agencies to administer portions of the statute.

National and State advisory council provisions should remain as presently established, including an appropriation for the operation of such councils. State councils should not be given specific planning and administrative functions but should continue the present concept of being advisory. The method of appointment should not be changed.

Provisions should be made for a strong planning requirement in the bill. Included should be the need to prepare a long-range and annual plan submitted each year to the U.S. Office of Education for review and approval. Such a provision, with sufficient arrangements for review and public hearings, justifies elimination of the present mandated set-asides for special target groups.

Title II: Program services are reduced to three major categories in contrast to 10 purposes in the Vocational Education Amendments of 1968. The elementary and early secondary education purpose should use the language of Section 1056 (b) (1) (D) of Part B of Title X of the Education Amendments of 1972. This language describes the establishment of career education concepts in the elementary and secondary schools.

The present Part B, Section 122, Purpose (1) language for secondary programs in adequate. It is recommended that the current and separate postsecondary and adult purposes be combined. This would permit greater flexibility and end much confusion over identification of postsecondary and adult students. States should be permitted leeway to make priority and budgeting decisions.

Either in the definitions contained in Title I or in the body of Title II of the proposed act there should be identified the authorized expenditure categories. These would include programs for the disadvantaged and handicapped, cooperative education, work-study, consumer and homemaking education, construction of facilities, guidance services, contracts with private schools, teacher education, bilingual programs, curriculum development, research, evaluation, and State and local administration. By using this arrangement, planning can be done in a logical way without mixing program levels, population groups or program activities. The present State Plan format recognizes this arrangement, but the law does not.

In addition, the proposal regarding authorized expenditures places responsibility on the State to assure through its planning efforts that adequate attention is paid to disadvantaged and handicapped persons without requiring a mandated percentage of the State's allocation to be spent in specific ways. Determination of how much money would be spent on a particular population group would be justified by the State in its plan rather than through an arbitrary mandated expenditure level in statute.

Title III: Support services would include three categorical purposes: research and evaluation, innovation, and curriculum development. In addition, this title would include the current Education Professions Development Act (EPDA) Part F, Professional Development provisions for training and retraining teachers and administrative personnel. These purposes still need specific attention and funds are needed to permit a State to support activities for its own priorities. Funds should be allotted to the States without a matching requirement. The areas represented in support services categories are intended to encourage State and local agencies to develop new approaches.

The proposed legislation with specifications as indicated above would meet the major issues and problems described in the beginning of this section. This legislation would provide new and significant progress in the Federal support of vocational education.

IV. EDUCATION OF CHILDREN WITH HANDICAPPING CONDITIONS

Introduction and General Principles

The education of children with handicapping conditions through local education agencies, private organizations, State-supported and State-operated schools has been a commitment of New York State for many years. Approximately 110,000 New York State pupils are enrolled in programs which require an exceptionally high degree of service entailing an expenditure of $400 million annually. This does not include expenditures for large numbers of less severely handicapped children. Despite strong efforts, the State has increasing difficulty in providing the resources needed for these educational services.

The enactment of P.L. 93–380 is evidence of an increased commitment by the Congress to assure that the Federal government takes a greater part in supporting education of the handicapped. However, the provisions for financing under the Mathias Amendment will expire June 30, 1975, and the Congress should review the provisions and enact a long-range program at this session.

The cost of educating handicapped children far exceeds the cost of educating non-handicapped children; in New York State the cost ranges from two to five times as large. The average cost for the education of a non-handicapped child in New York State last year was $1,300.

By contrast, the average operating cost for educating a physically and mentally handicapped child in the five largest city school districts in the State is over $4,000. The education of each severely retarded or emotionally disturbed child in these cities costs approximately $4,900. Education of a deaf child in a State-supported school for the deaf requires $5,500 of State assistance. In the suburban and rural areas of the State, New York has 46 regional educational agencies (Boards of Cooperative Educational Services) providing comprehensive services to handicapped children at estimated average costs of $3,300. The cost of the education and care of children in institutional, custodial settings is more than $10,000 per child per year. The State and localities cannot meet these requirements by themselves but need direct Federal support which should be provided on a shared cost basis.

Federal, State and local resources should be combined for this purpose in a way that provides greater effectiveness and coordination of programs. Federal legislation should designate State education agencies as the sole agencies responsible for federally funded programs to educate handicapped children in the State. The State should be required to file a State plan, adhering to specified principles and indicating needs, priorities and the ways in which Federal funds will be used. In addition, legislation should require accountability procedures and appropriate mechanisms for the placement and evaluation of handicapped children, and create State advisory committees. Since the State education agencies have the primary responsibility to administer educational services to handicapped children, it is appropriate that the same State agency should provide for the State level advisory committee functions. Federal legislation should safeguard the rights of handicapped children and their parents.

Federal legislation should require States to reevaluate children who are institutionalized and encourage the placement of such children in "home school" settings whenever appropriate. The legislation should encourage expeditious movement toward mainstreaming handicapped children into the regular classrooms whenever it is possible. As is stated in the Regents Position Paper, "The Education of Children with Handicapping Conditions": "The quality of many publicly operated or supported educational programs is related to the degree to which children with handicapping conditions are grouped or otherwise combined effectively with other children in the mainstream of our schools and society."

In the Federal legislation proposed here, handicapped children are defined as those persons between birth and 21 years of age who, because of physical, mental, or emotional reasons are not benefiting or cannot be expected to benefit from regular classroom instruction but who can benefit from special services and programs which include, but are not limited to the following: transportation, home teaching, special classes, special teachers, personal services, resource rooms, or other special facilities. These services and programs may be provided in public schools, in regional programs, in private schools, in State-operated or State-supported schools, or in other State or public agencies.

The categories of handicapped persons include: trainable mentally retarded, educable mentally retarded, emotionally disturbed, hard of hearing, deaf, visually handicapped, speech impaired, physically handicapped and neurologically impaired.

Administration — State Plan

Federal legislation must provide for orderly administration within each State by specifying that all federally sponsored programs be administered in accordance with each State's established policies for management of education for the handicapped. The New York State Constitution places authority and responsibility for the education of all children with the State Education Department. As the State progresses to assure full educational benefits for all children, activities of the several State agencies related to handicapped children must be rechanneled to assure maximum use of resources. This effort can be enhanced through Federal legislation that requires a State plan which sets forth State priorities, use of funds, and provisions for advisory committees for all federally funded programs for handicapped children. The State plan should reflect the unique capabilities of the State in serving the handicapped population.

In New York, a State Advisory Committee for Education of the Handicapped has already been selected and is currently advising the Commissioner of Education. This committee includes both consumer and professional organization representatives. Furthermore, under the New York State Commissioner's Regulations, all school districts must have Committees on the Handicapped to review placement of children in special classes. The committees are charged to assure that appropriate procedures for the identification, diagnosis, and placement are followed. The local Committee on the Handicapped is also responsible for an annual review of the status and progress of each child in the district. The work of these committees is focused primarily on assuring individual pupil programming, and requires consideration of all diagnostic information plus available and potential special education resources and facilities. Each local committee must be satisfied that the district is collecting and maintaining pertinent records and coordinating improvement in educational services. In those cases in which parents or interested agencies disagree with the determination of the local committees or the superintendent or Board of Education, the parent or agencies may appeal such determination to the State Commissioner of Education. Federal legislation should support such a system of committee advice and participation.

Federal legislation should provide that each State adopt a plan setting forth adherence to the philosophy of full educational opportunity and to a policy of placement of handicapped children in educational settings with other children when feasible and according to the abilities of the handicapped child. Implementation of the plan should be within the particular State's legislative constraints and in keeping with the characteristics of its handicapped population. Due process guarantees should be provided within the unique, legislative, and regulatory structure of each State.

Finance

Federal legislation should provide for Federal, State and local sharing in the costs of adequate educational services for handicapped children.

Recommendations: (1) Federal aid for services to handicapped children should be provided by formula based on both the number of handicapped children in the State and the average cost of educating handicapped children in the State. Federal aid should be matched. Federal funds allocated to a State should be disbursed to local districts and agencies according to the State plan which identifies needs and priorities within the State.

(2) Because of unusual expenses incurred in transporting handicapped children, Federal legislation should include transportation expenses in the definition of the average per pupil expenditure of handicapped children and permit use of Federal funds for transportation.

Under P.L. 89–313 funding is determined on the basis of average daily attendance 2 years prior to the year for receiving the funds. This provision ignores the mobility of families with handicapped children. Parents tend to take residence in areas particularly prepared to meet the special educational needs of their handicapped children. When transfer from one to another education district occurs, Federal funding to the receiving district lags. Also, handicapped children may remain in an educational setting for only a fraction of the school year, proportionally reducing the allocation for the district involved. Yet provisions must be made for handicapped children regardless of the time which they can attend a class. P.L. 93–380 has not solved these problems.

Recommendations: (1) Procedures for reporting average daily attendance should permit State-supported and State-operated institutions to claim, for purposes of obtaining aid, incoming students awaiting assignment as substitutes for children who transfer to public schools while assuring that the transferred children are in actual attendance at the receiving school.

(2) Funding within a State should be apportioned to participating educational institutions in accordance with the length of stay in the educational settings, and such apportionment should be made by the State education department.

(3) In the case where a public school system receives a severely handicapped child from a State insitution during a school year, provision should be made for a grant of monies to be used by the public school district to benefit the child with no requirement for the filing and approval of a comprehensive project application. The determination of the need for the grant should be consistent with the regulations or guidelines developed by the State education department.

(4) Federal legislation should include the provisions of the "Tydings Amendment," so that if funds appropriated to the State or local education agencies cannot be expended in the year of appropriation, they will be available for expenditure by both the State and local education agencies in the following year.

Program Services

Early Detection

Early identification of handicapped children will provide data upon which to plan for the establishment of appropriate programs of intervention. School districts should develop procedures for such identification and provide data to the State for planning purposes:

Recommendation. Federal legislation should support early identification. With reference to current provisions of Section 613 b of the Education of the Handicapped Act as amended by P.L. 93–380, the summary data on identification of handicapped children should be included in the State education plan along with the statement that all local public education agencies are in conformity with the State's procedures for meeting the identification provision of the Act.

Infant and Early Childhood Education

Model programs of infant and early childhood education must be developed to demonstrate the efficacy of early intervention for the amelioration and/or remediation of handicaps in children. Currently the funding efforts stimulated by the Federal government in P.L. 93–380 are insufficient to meet the need for such programs. Projects which test potential cost reduction through early intervention are particularly essential.

Recommendation: Special grants should be made available to the States for the development of model programs for infant and early childhood intervention.

Elementary and Secondary Education

Recommendation: Substantial Federal funds should be provided to the States on a matched basis to expand programs and services to meet the needs of all handicapped children identified in the States. These funds are to be combined with State and local resources to meet the financial requirements for providing full educational opportunity for each child with handicapping condition.

Coordination of Services Within States

Section 616 of P.L. 93–380 authorizes the U.S. Commissioner of Education to "make grants to or contracts with institutions of higher education." No provisions are made for State education department review of such applications. The lack of such review leads to fragmentation and ineffective use of research resources. Gaps exist in services to handicapped children because of the allocation of funds to different agencies within each State without control by the State education agency.

Recommendation. Federal legislation should provide that State education agencies be granted authority to review and comment upon all applications pertaining to education within the State, whether from local education agencies, or institutions of higher education. Such comments should be considered by the U.S. Commissioner of Education in reaching decision on each application for funds not flowing through the State education agency.

Support Services

Research and Demonstration

Several problems in the education of the handicapped require research which should be administered through State education agencies. The problems relate to establishing nondiscriminatory testing and evaluation procedures, initiating screening programs to identify handicapped children, placing students in accordance with the practice of "least restrictive alternative," developing cost-effective alternative programs for educating severely handicapped children, and expanding services to all handicapped children. Such problems are not unique to any one State or geopolitical boundary but the research results must be linked to action to be taken through State plans.

Recommendation. Federal legislation should include an allocation of funds made directly to State education agencies for distribution or use by the agency, under a State plan, for research and demonstration projects in special education. Dissemination of information regarding new techniques and knowledge eminating from Federally funded research projects should be expedited among the States.

Inservice Training for Educational Personnel

Greater emphasis must be made to provide funds for inservice programs stimulated and supervised by the State education department for the retraining of teachers and administrators to serve increasing numbers of handicapped students in regular education programs. There is recognition in New York State of the serious, yet predictable, backlash which could occur as more and more handicapped children are mainstreamed into regular classes. The effort can succeed only with a change in educational approaches and modification of attitudes now in the field. There is a great need to introduce regular classroom teachers and administrators to background, problems and techniques of special education.

Recommendation. Federal funds on a formula basis should be provided for inservice training of educational personnel preparing to serve mainstreamed handicapped children.

Preservice Training for Educational Personnel

The above rationale for training general classroom teachers applies to preservice teacher training efforts. New York State maintains that all institutions of higher education currently involved in the training of teachers in regular education should offer programs designed to develop competencies in special education approaches for classroom teachers.

Recommendation. Federal funds on a formula basis should be allocated to State education departments for distribution to teacher training institutions and other institutions for the purpose of providing regular classroom teachers with competencies needed to serve handicapped children in regular classes.

Regional Program Management

New York State supports the Federal initiative in setting up regional programs for severely handicapped children, e.g., deaf-blind. The rare incidence of such conditions may make regional efforts necessary. Efforts must be made to increase participation by the State in the management of these regional and interstate programs. The management function should be a joint Federal-State effort.

Recommendation. Each federally sponsored regional program should require State education agency representation on the board of directors. The change from representation on an advisory committee to membership on a board of directors would insure the State's role in the management of the regional programs.

Facilities

Because of the current and expected decrease in general school-age population, greater effort must be made to reevaluate current available facilities in adequately meeting the needs of handicapped children. Mainstreaming becomes more of a reality if physical barriers are removed and proper adaptations are made to accommodate handicapped children in existing structures.

Recommendation. Federal funds should be available for the reduction and elimination of architectural barriers in schools now housing non-handicapped children for the accommodation of those that are handicapped.

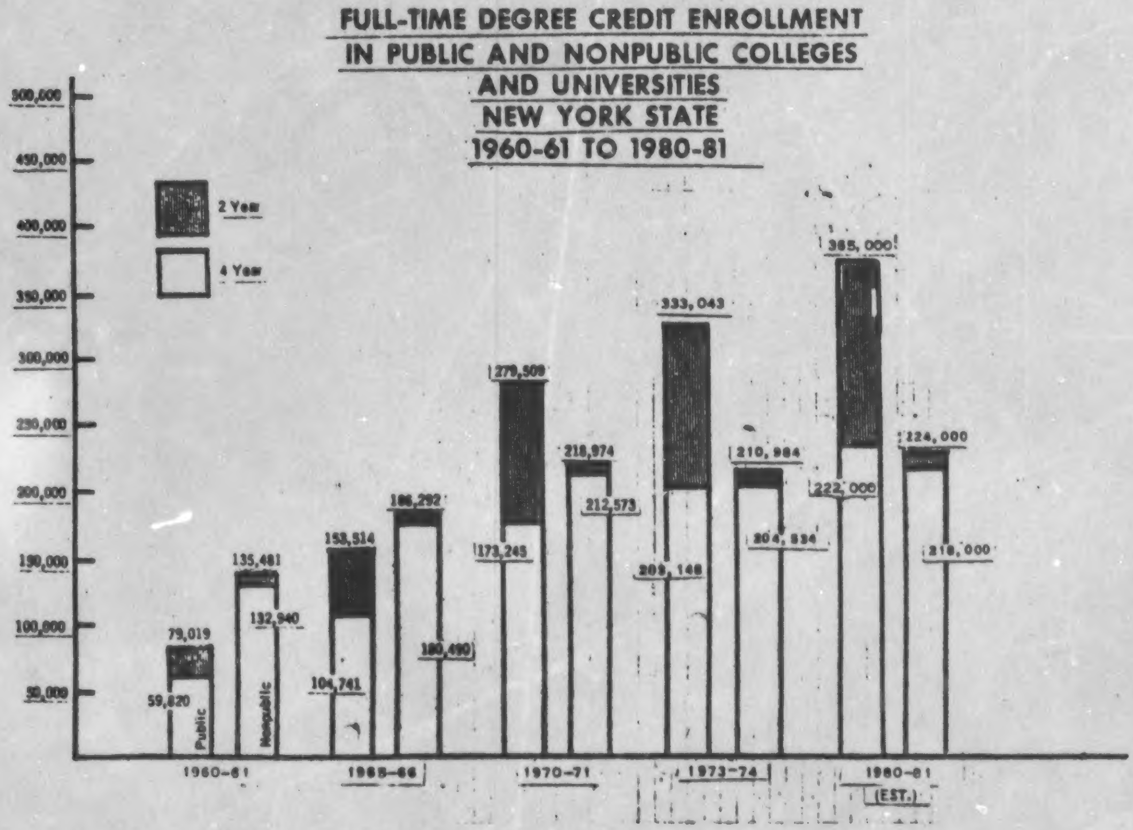
Summary

The Regents recommend that a new comprehensive act for the Education of Children with Handicapping Conditions be enacted in 1975. The act should consolidate existing priorities and add new provisions, as indicated above, in a program which will assure that Federal, State and local resources are combined through a State plan to meet the State's priorities and the unique characteristics of its handicapped population.

The legislation should have three basic sections—general provisions, program services, and support services as described earlier. The legislation would establish a substantial and long-range Federal policy for education of handicapped children.

EDUCATION TRENDS
in
NEW YORK STATE

FULL-TIME DEGREE CREDIT ENROLLMENT IN PUBLIC AND NONPUBLIC COLLEGES AND UNIVERSITIES
NEW YORK STATE
1960-61 TO 1980-81



FULL-TIME DEGREE CREDIT ENROLLMENT
IN PUBLIC AND NONPUBLIC COLLEGES
AND UNIVERSITIES
NEW YORK STATE

1960-61 to 1980-81

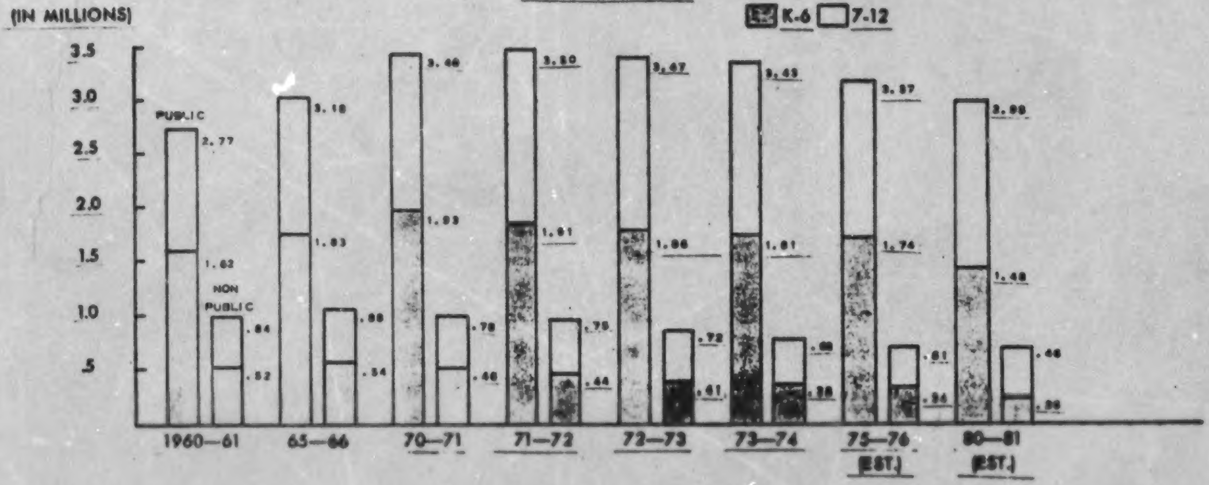
As high school enrollment grows and a greater proportion of high school students remain to graduate, the population of our colleges and universities also rises.

From 1960 to 1973, full-time degree credit enrollment in New York State's four-year colleges has increased over 100 percent. In the same period, full-time enrollment in two-year colleges increased even more dramatically (over 500 percent). Most of the increase in two-year college enrollment resulted from the rapid expansion of the State University of New York.

During the same period, public institutions showed a faster rate of growth than nonpublic institutions (public, approximately 320 percent; nonpublic, approximately 57 percent).

In 1973-74, more than half of New York State's full-time college and university enrollment was in public institutions (61 percent), although among four-year institutions the nonpublic institutions enrolled 50 percent of the total four-year enrollments. Full-time enrollment for 1980-81 is estimated to total 589,000, of which 62 percent of the enrollment will be in public institutions. However, slightly over 50 percent of the four-year enrollment is expected to be in public institutions.

ENROLLMENT IN PUBLIC AND NONPUBLIC ELEMENTARY AND SECONDARY SCHOOL DISTRICTS
NEW YORK STATE
1960-61 TO 1980-81



ENROLLMENT IN PUBLIC AND NONPUBLIC ELEMENTARY AND SECONDARY SCHOOL DISTRICTS NEW YORK STATE

1960-61 to 1980-81

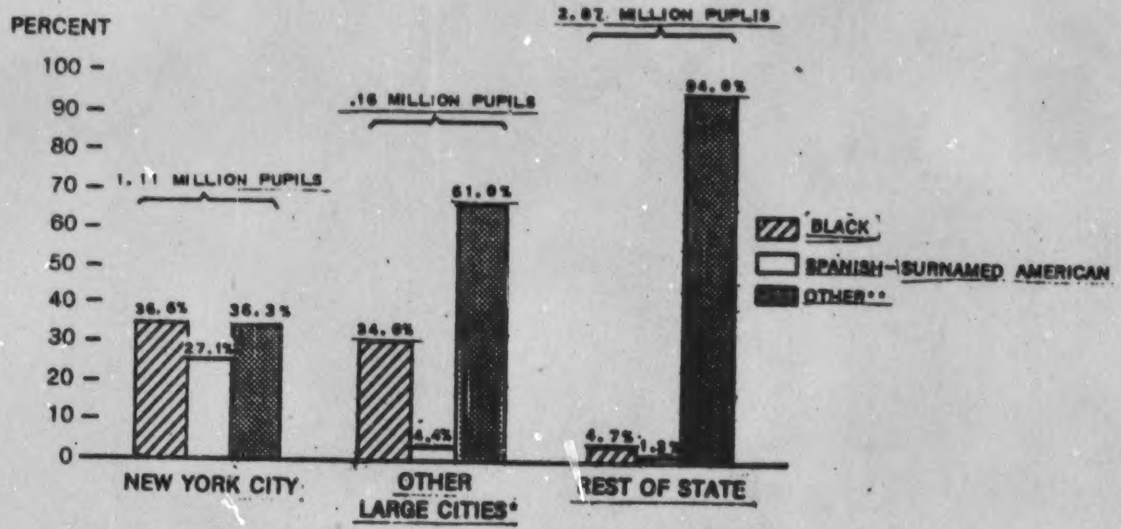
Affected by increasing numbers of births per year and increased holding power, enrollment in public and nonpublic schools increased 18 percent in the period 1960 to 1970. At the elementary school level, enrollment rose 12 percent; in secondary schools, the increase was 28 percent.

Over the next 10 years, enrollments will peak and then begin to decline slowly. In 1975, it is estimated that 3,980,000 students will be enrolled in New York State's elementary and secondary schools--a decrease of nearly 300,000 from 1970. In 1980, elementary and secondary enrollment is expected to drop to 3,440,000.

Not shown on the chart are students enrolled full time in special educational programs for the handicapped operated by Boards of Cooperative Educational Services (BOCES). In 1973-74, BOCES enrolled 25,772 students, compared with 17,058 in 1970-71.

NUMBER AND PERCENT OF PUBLIC SCHOOL PUPILS BY ETHNIC ORIGIN AND LOCATION NEW YORK STATE

1973–74



* BUFFALO, ROCHESTER, SYRACUSE, AND YONKERS

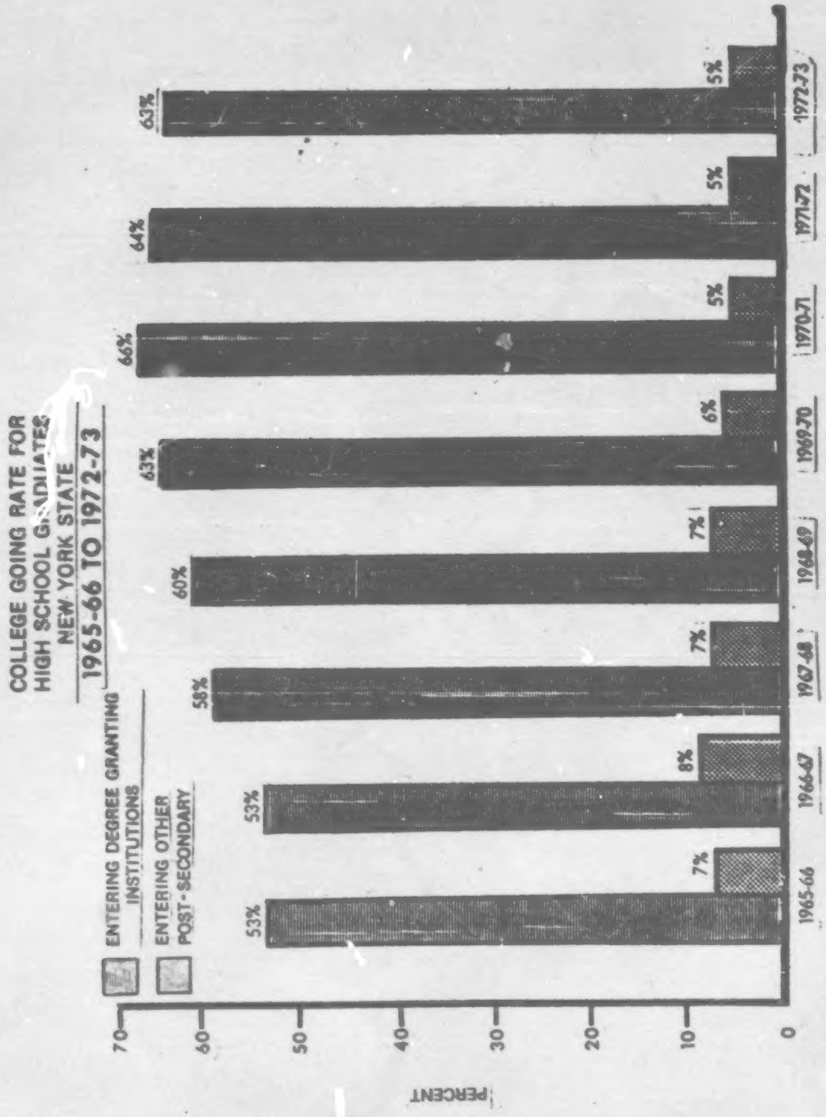
** INCLUDES ALL PUPILS WHO ARE NEITHER BLACK NOR SPANISH-SURNAMED AMERICAN

NUMBER AND PERCENT OF PUBLIC SCHOOL PUPILS BY ETHNIC ORIGIN AND LOCATION NEW YORK STATE

1973-74

The magnitude of educational problems in large cities is shown by the fact that five large city school districts are charged with the responsibility for educating approximately 37 percent of all the public elementary and secondary school pupils in the State. In addition, the great majority of the nonwhite pupils in New York State attend school in the large cities of Buffalo, New York City, Rochester, Syracuse, and Yonkers. In New York City, which has about one-third of the total public school enrollment in the State, more than 60 percent of the pupils are from minority groups.

The provision of sufficient staff and facilities, as well as effective programs for educating large numbers of minority group students, are among the many problems confronting our large cities.


COLLEGE GOING RATE FOR
HIGH SCHOOL GRADUATES
NEW YORK STATE
1965-66 TO 1972-73
ENTERING DEGREE GRANTING INSTITUTIONS
ENTERING OTHER POST-SECONDARY
PERCENT
70
60
50
40
30
20
10
0
53%
7%
1965-66
53%
8%
1966-67
58%
7%
1967-68
60%
7%
1968-69
63%
6%
1969-70
66%
5%
1970-71
64%
5%
1971-72
63%
5%
1972-73

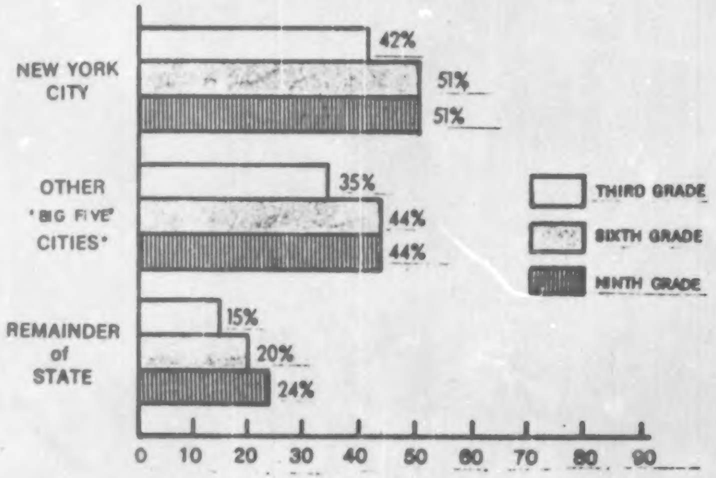
COLLEGE GOING RATE FOR HIGH SCHOOL GRADUATES NEW YORK STATE

1965-66 to 1972-73

College going rate represents the percent of high school graduates entering institutions of higher education in the fall following graduation, and is calculated for those entering degree-granting institutions and other postsecondary institutions. The percent of graduates entering degree-granting institutions has stabilized between 60 and 66 percent since 1968-69. Similarly, the percent of graduates entering other postsecondary institutions has remained nearly constant, ranging between five and eight percent.

PUPIL EVALUATION PROGRAM

PERCENT OF THIRD AND SIXTH GRADE PUBLIC SCHOOL PUPILS BELOW THE STATEWIDE REFERENCE POINTS IN READING 1973-74



* BUFFALO, ROCHESTER, SYRACUSE, AND YONKERS

PUPIL EVALUATION PROGRAM
PERCENT OF THIRD AND SIXTH GRADE PUBLIC SCHOOL PUPILS BELOW THE STATEWIDE REFERENCE POINTS IN READING

1973-74

The New York State Pupil Evaluation Program was established in September 1965 to help provide effective allocation, control, and evaluation procedures in the administration of ESEA, Title I, funds. The program provides the Education Department and schools with a single uniform set of test data to use in identifying educationally disadvantaged pupils and in locating "pockets" of disadvantagement.

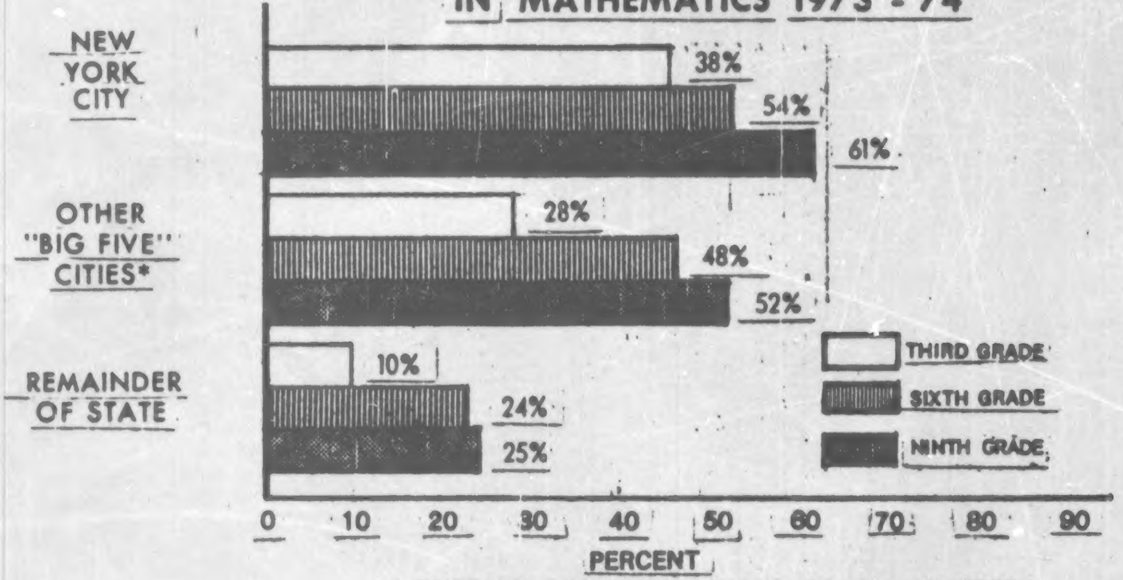
These test data, obtained during the initial stages of this program, are used as a baseline against which growth or improvement in subsequent years is measured.

The chart shows that large proportions of third and sixth grade public school pupils in New York were below the Statewide Reference Points in reading in 1973-74. The other "Big Five" cities of Buffalo, Rochester, Syracuse, and Yonkers, while lower than New York, had considerably larger percentages of third and sixth grade public school pupils below the Statewide Reference Points in reading than did schools in the remainder of the State.

These test data provide guidelines for the administration of ESEA funds, and a basis for leadership and action in curriculum development, supervision, school district reorganization, integration, and financial aid formulas.

PUPIL EVALUATION PROGRAM

PERCENT OF THIRD, SIXTH AND NINTH GRADE PUBLIC SCHOOL PUPILS BELOW THE STATEWIDE REFERENCE POINT IN MATHEMATICS 1973 - 74



* BUFFALO, ROCHESTER, SYRACUSE, AND YONKERS

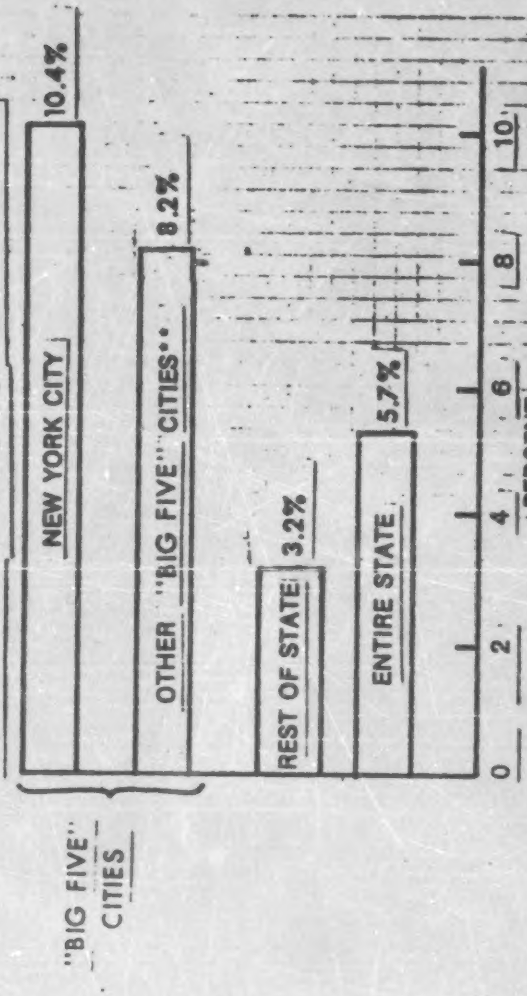
PUPIL EVALUATION PROGRAM PERCENT OF THIRD AND SIXTH GRADE PUBLIC SCHOOL PUPILS BELOW THE STATEWIDE REFERENCE POINTS IN MATHEMATICS

1973-74

In 1973-74, the percentages of third and sixth grade public school pupils below the Statewide Reference Points in mathematics were considerably larger in the "Big Five" cities of New York State than in the remainder of the State. The problem was most acute in New York, which has about one-third of the State's public school enrollment.

These test data provide additional evidence that the problems of educational disadvantagement are most severe in New York State's large urban communities.

DROP OUT RATE* OF PUBLIC HIGH SCHOOLS
NEW YORK STATE
1972–73



* RATIO OF DROPOUTS DURING THE SCHOOL YEAR TO OPENING FALL ENROLLMENT IN GRADES 9-12

** BUFFALO, ROCHESTER, SYRACUSE, AND YONKERS

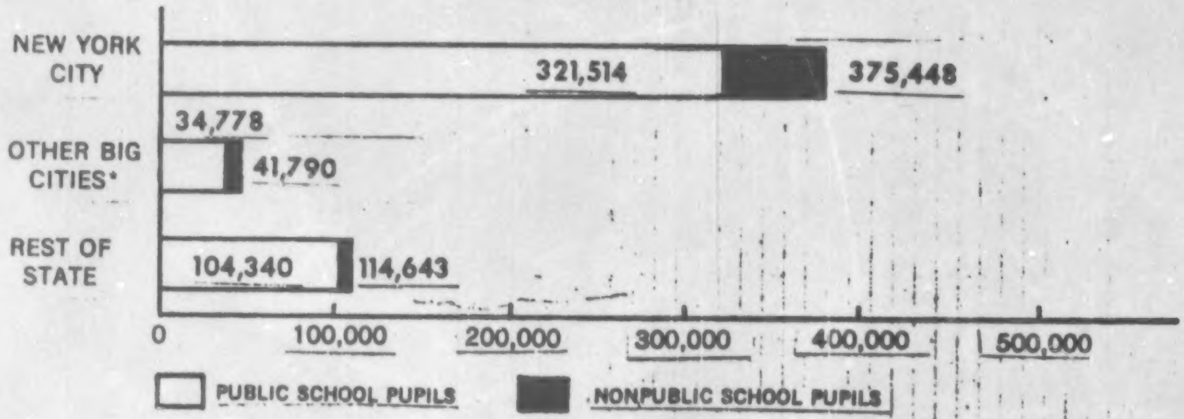
DROPOUT RATE OF PUBLIC HIGH SCHOOLS
NEW YORK STATE

1972-73

Dropout rate is defined as the percent of high school students (grades 9-12) who leave school during the academic year. Excluding the "Big Five" cities of Buffalo, New York, Rochester, Syracuse, and Yonkers, the dropout rate for public high schools was 3.2 percent in 1972-73. For New York City, the corresponding figure was 10.4 percent. The dropout rate for the other "Big Five" cities combined was 8.2 percent.

The Department has made an effort to decrease the dropout rate by means of preservice and inservice education programs. These programs are designed for the development of curriculum materials for the disadvantaged and the preparation of potential and present teachers of disadvantaged pupils. The curriculum materials include a number of special pupil programs designed to improve the motivation, experiences, and opportunities of disadvantaged students.

NUMBER OF PUBLIC AND NONPUBLIC SCHOOL PUPILS PARTICIPATING IN ESEA TITLE I PROGRAMS
NEW YORK STATE
1973–74



*BUFFALO, ROCHESTER, SYRACUSE, AND YONKERS

NOTE: INCLUDES SUMMER TITLE I PROGRAMS

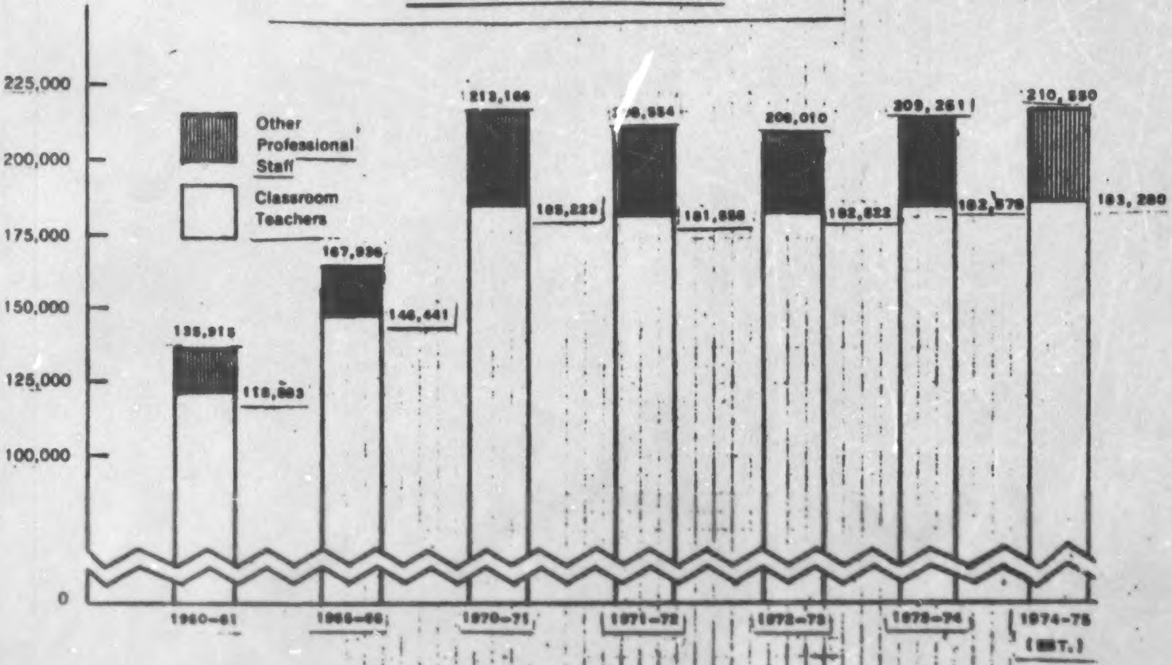
NUMBER OF PUBLIC AND NONPUBLIC SCHOOL PUPILS PARTICIPATING IN ESEA TITLE I PROGRAMS NEW YORK STATE

1973-74

During 1973-74, there were an estimated 531,881 public and nonpublic school project participants in New York State under Title I of the Elementary and Secondary Education Act. Title I provides funds for activities to improve the education of disadvantaged children.

Projects from New York City alone included 70 percent of the participants. Collectively, the remaining "Big Five" cities in the State (Buffalo, Rochester, Syracuse and Yonkers) accounted for an additional 8 percent of the participants where problems of educational disadvantagement (especially related to reading skills) are particularly severe. Nonpublic pupils statewide represent more than 13 percent of the participants served under Title I.

PROFESSIONAL STAFF IN PUBLIC SCHOOLS
NEW YORK STATE
1960-61 to 1974-75



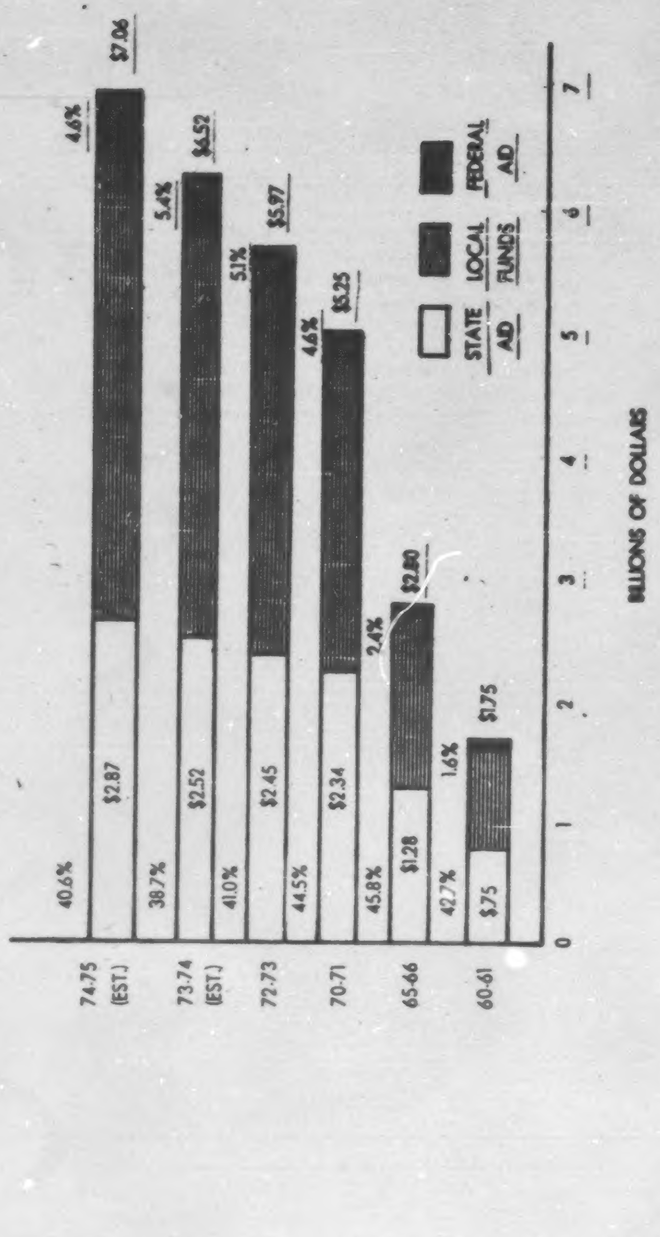
PROFESSIONAL STAFF IN PUBLIC SCHOOLS NEW YORK STATE

1960-61 to 1974-75

For the current school year, it is estimated that 210,550 professional staff members are employed in the public schools, of whom 87 percent are classroom teachers and the remainder provide auxiliary services such as pupil personnel services, administration of Federal programs, data processing, and other special services. Since 1960-61, the number of classroom teachers has increased by 55 percent, while the number of other professional staff has increased by 60 percent.

Not shown on the chart are professional staff employed by Boards of Cooperative Educational Services (BOCES). In 1973-74, BOCES employed 6,626 professional staff members, compared with 4,611 in 1970-71.

TOTAL EXPENDITURES, STATE AND FEDERAL AID IN PUBLIC ELEMENTARY AND SECONDARY SCHOOLS NEW YORK STATE 1960-61 TO 1974-75



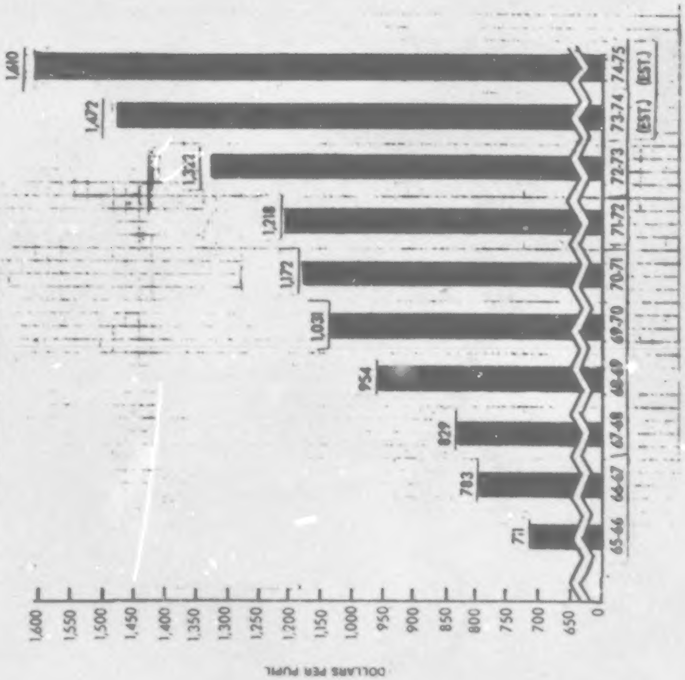
TOTAL EXPENDITURES, STATE AND FEDERAL AID IN PUBLIC ELEMENTARY AND SECONDARY SCHOOLS NEW YORK STATE

1960-61 to 1974-75

Rising costs, increased enrollments, and greater holding power have contributed to the fourfold increase in expenditures for public elementary and secondary schools since 1960-61. State aid for schools has followed this rapid rate of growth and, during the current year, is estimated to be $2.9 billion. This sum represents about 40.6 percent of the total funds that will be expended for public elementary and secondary education in New York State.

AVERAGE OPERATING EXPENDITURES PER PUPIL IN WEIGHTED AVERAGE DAILY ATTENDANCE FOR PUBLIC SCHOOLS IN NEW YORK STATE

1965-66 to 1974-75

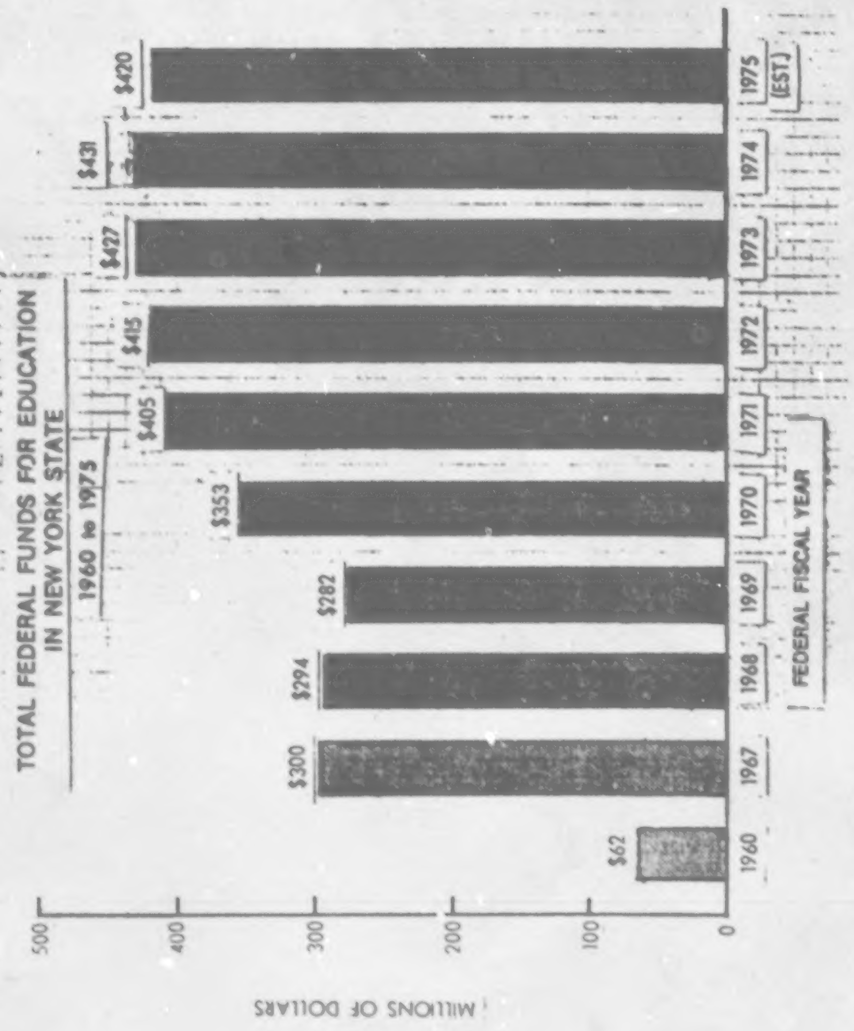


AVERAGE OPERATING EXPENDITURES PER PUPIL IN WEIGHTED AVERAGE DAILY ATTENDANCE FOR PUBLIC SCHOOLS IN NEW YORK STATE

1965-66 to 1974-75

Along with the increase in total expentitures for public schools in New York State, there has been a corresponding rise in operating expenditures per pupil in weighted average daily attendance.

From 1965-66 to 1973-74, average operating expenditures per pupil increased from $711 to an estimated $1,472. Additional increases are evident for the current school year, when average operating expenditures per pupil are expected to reach $1,610.



TOTAL FEDERAL FUNDS FOR EDUCATION IN NEW YORK STATE

1960 to 1975

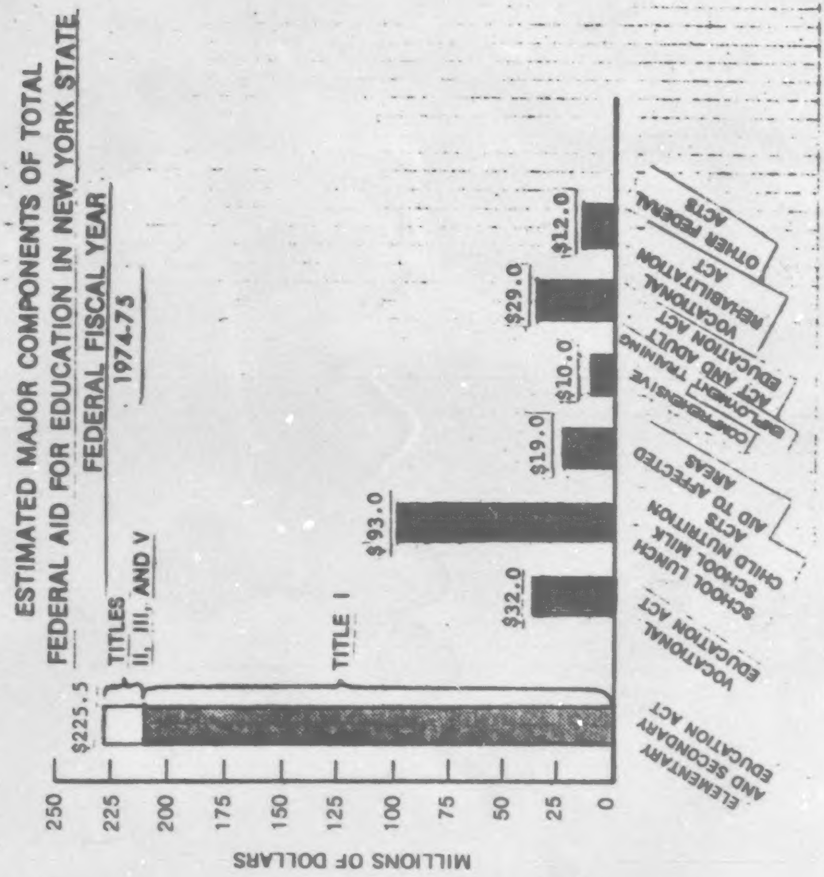
TOTAL FEDERAL FUNDS FOR EDUCATION IN NEW YORK STATE

1960 to 1975

Federal funds* increased steadily between Fiscal Years 1960 and 1974. It is estimated that in Fiscal Year 1975 these funds will decrease 2.6 percent over Fiscal 1974. The major portion of Federal funds is appropriated for the Elementary and Secondary Education Act which was passed in 1965. Estimated appropriations for Fiscal 1974 amount to $225 million.

---

*For applicable years, figures include Elementary and Secondary Education Act, Higher Education Facilities Act, Higher Education Act, Vocational Education Act, School Lunch Act, School Milk Act, Child Nutrition Act, Federally Affected Areas Act, Manpower Development and Training Act, Vocational Rehabilitation Act, Federal Property and Administrative Services Act, National Defense Education Act, Economic Opportunity Act, Adult Education Act, Library Services and Construction Act, Mental Retardation Facilities Act, Civil Rights Act of 1964, Social Security Act, Civil Defense Act of 1950, Cooperative Research Programs, Vocational Agriculture and Home Economics Fund, National Foundations on the Arts and Humanities Act, Federal grants to the Board of Regents, Education Professions Development Act, Education of the Handicapped Act, and Emergency School Assistance Act. Fiscal 1974 estimates do not include Social Security Act, Titles IV-A and XVI.



ESTIMATED MAJOR COMPONENTS OF TOTAL FEDERAL AID FOR EDUCATION IN NEW YORK STATE

FEDERAL FISCAL YEAR

1974-75

ESTIMATED MAJOR COMPONENTS OF TOTAL FEDERAL AID FOR EDUCATION IN NEW YORK STATE

FEDERAL FISCAL YEAR
1974-75

In Federal Fiscal Year 1975, New York State is expected to receive approximately $420 million under various Federal education programs. Eight of the programs (Elementary and Secondary Education Acts, Vocational Education Act, School Lunch Act, School Milk Act, Child Nutrition Act, Federally Affected Areas Act, Comprehensive Employment Training Act, Adult Education Act, and the Vocational Rehabilitation Act) accounted for 97 percent of the total amount of Federal funds received.

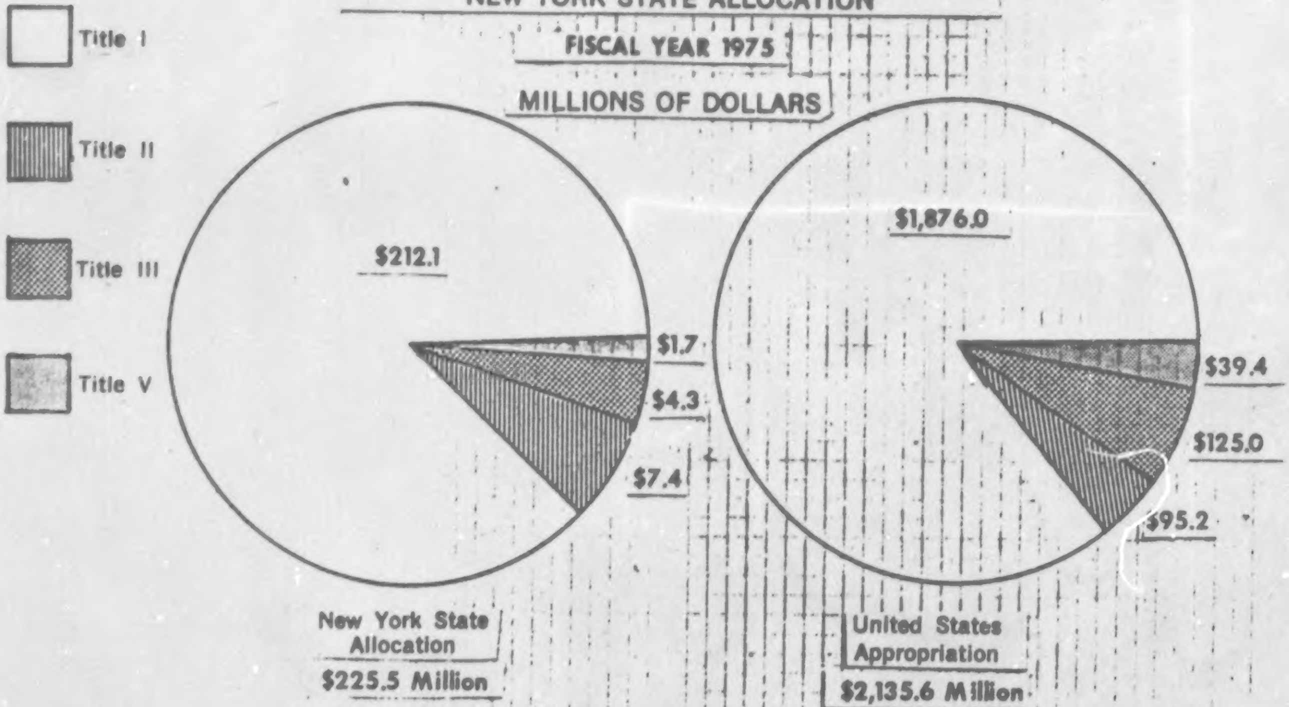
The first act listed on the chart, the Elementary and Secondary Education Act, will provide about $225 million to New York State in 1975 and account for about 54 percent of all Federal funds received.

Note: The "Other Federal Acts" depicted in the chart include: National Defense Education Act, Library Services and Construction Act, Mental Retardation Facilities Act, Higher Education Act, Social Security Act, Education of the Handicapped Act, Education Professions Development Act and Emergency School Assistance Act.

ELEMENTARY AND SECONDARY EDUCATION ACT
NEW YORK STATE ALLOCATION

FISCAL YEAR 1975

MILLIONS OF DOLLARS

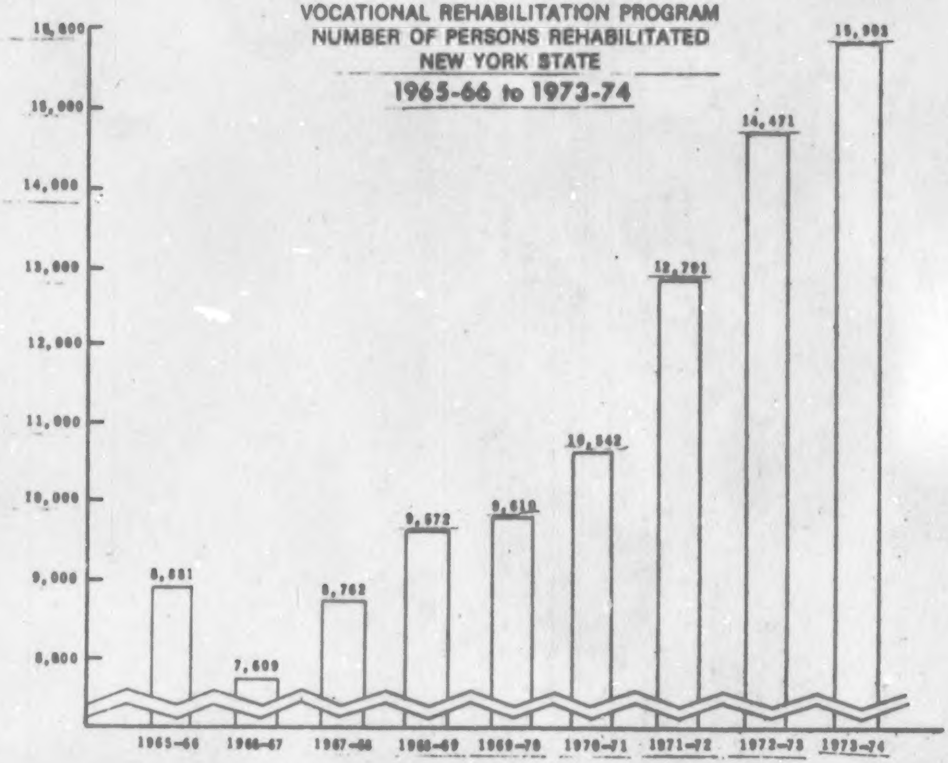


ELEMENTARY AND SECONDARY EDUCATION ACT
NEW YORK STATE APPROPRIATIONS

FISCAL YEAR 1975

Enactment of the Elementary and Secondary Education Act is one of the most challenging and exciting events that has occurred in the field of education in many years. Nationally, the act will provide $2.1 billion during the current fiscal year for (1) the education of disadvantaged youth, (2) the purchase of textbooks and other instructional materials, (3) the establishment of supplementary educational centers and services, (4) the extension of educational research, and (5) the strengthening of state education departments.

In Fiscal Year 1975, New York State's allocations under this act will total an estimated $225 million, with the major portion ($212 million) appropriated under Title I, for the education of the disadvantaged. The Elementary and Secondary Education Act will provide about 54 percent of all Federal aid to education in New York State this fiscal year.



VOCATIONAL REHABILITATION PROGRAM
NUMBER OF PERSONS REHABILITATED
NEW YORK STATE
1965-66 to 1973-74

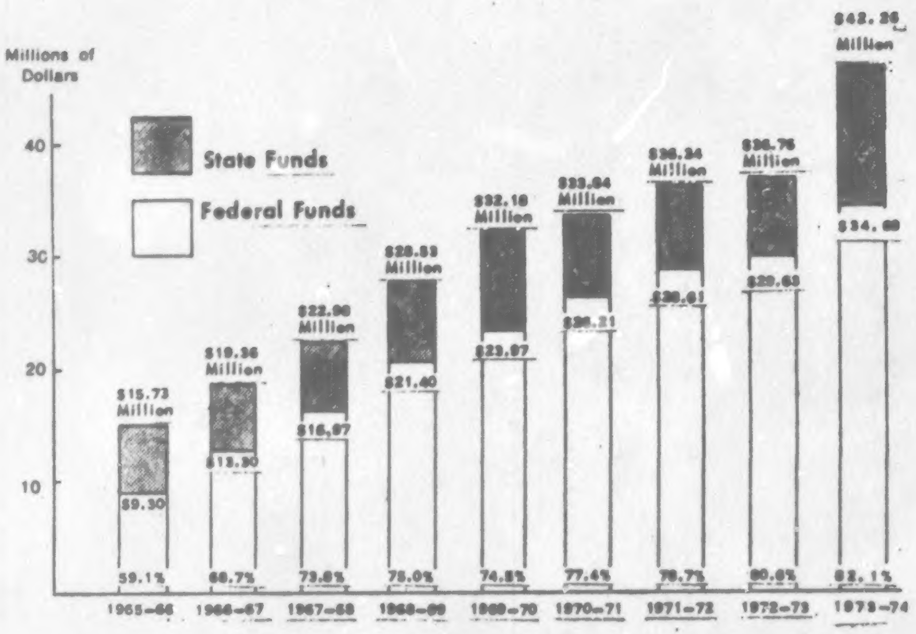
VOCATIONAL REHABILITATION PROGRAM
NUMBER OF PERSONS REHABILITATED
NEW YORK STATE

1965-66 to 1973-74

As the funds available for the Vocational Rehabilitation Program have increased, there have been increases in the number of persons benefiting from the program.

The 15,903 persons rehabilitated during 1973-74 represent an increase of 10 percent over the previous year, and an overall increase of 79 percent since 1965-66.

EXPENDITURES FOR VOCATIONAL REHABILITATION BY THE NEW YORK STATE EDUCATION DEPARTMENT
1965-66 TO 1973-74



EXPENDITURES FOR VOCATIONAL REHABILITATION BY THE NEW YORK STATE EDUCATION DEPARTMENT

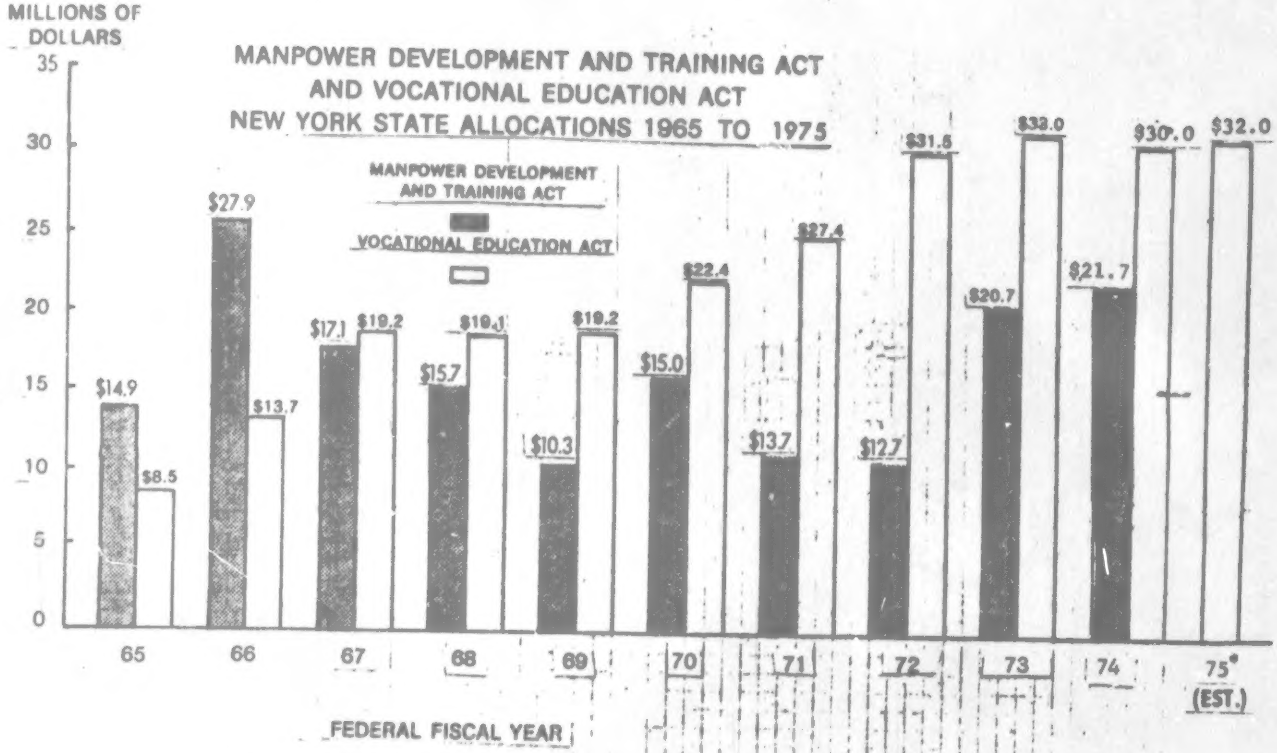
1965-66 to 1973-74

The Vocational Rehabilitation Program is one of the oldest programs of Federal aid to education, having been initiated in 1920. It offers evaluation, rehabilitation, training, and placement services to both inschool and out-of-school persons preparing for or obtaining employment.

Although it began as a relatively small program, the Vocational Rehabilitation Program has undergone sharp expansion since its inception. The most dramatic growth occurred in the mid-Fifties due to the passage of the Vocational Rehabilitation Amendments of 1954 and the availability of "matching" state funds. The program experienced another expansion as a result of the Vocational Rehabilitation Amendments of 1965. The major impact of this legislation was to increase Federal funds under a new 75-25 percent matching ratio and by provision for statewide planning of rehabilitation services. Currently, this ratio is 80-20 percent.

In September 1973, the Rehabilitation Act of 1973 became law and made the severely disabled the number one priority target group.

Expenditures for this program during 1973-74 were 15 percent greater than expenditures for the year 1972-73 and increased 168.7 percent over those during 1965-66. A sharp decrease in funds available under the Social Security Disability Insurance Trust Fund and the Supplemental Security Income Program accounted for a large portion of the 15 percent growth in 1973-74 over 1972-73.



* IN FISCAL YEAR 1975 NO FUNDS WERE AVAILABLE FOR MDTA

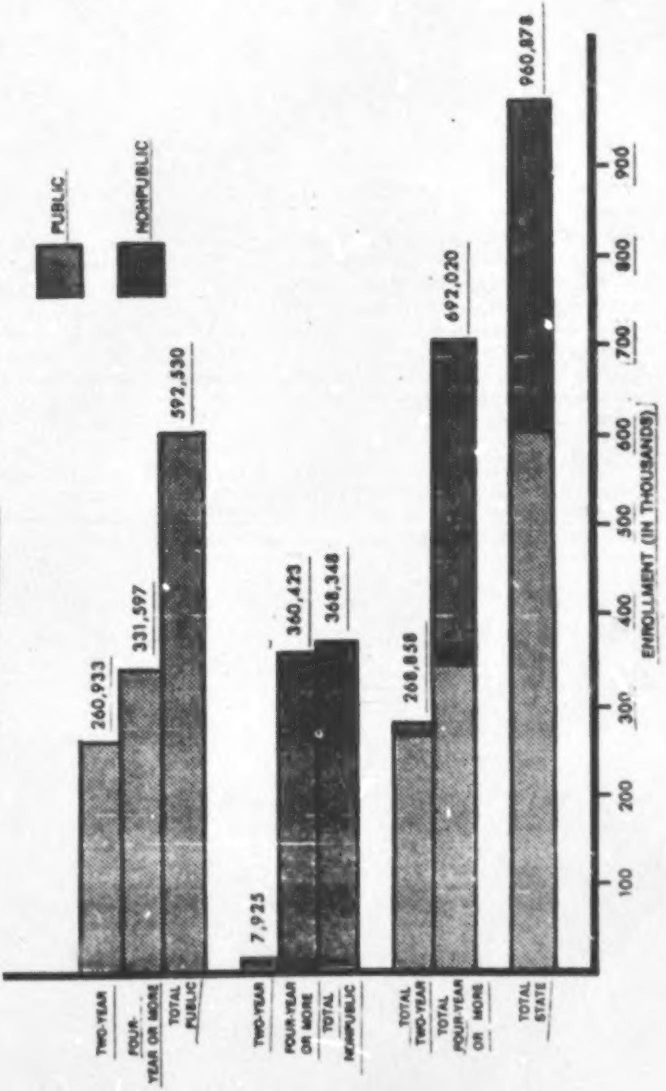
MANPOWER DEVELOPMENT AND TRAINING ACT
AND VOCATIONAL EDUCATION ACT
NEW YORK STATE ALLOCATIONS

1965 to 1975

The Manpower Development and Training Act of 1962 (MDTA) was designed to retrain formerly employed adult workers, who had been displaced by structural changes in the labor market, to meet the demand for trained workers in skills shortage occupations. Subsequent amendments placed major emphasis on the provision of services leading to employability for disadvantaged out-of-school youth and adults. Special target populations in 1974 were Viet Nam-era veterans, welfare recipients, minorities, and others. Services provided by either educational or employment service agencies included: individual assessment; skill training; basic education; employability training; health services; and job placement.

Federal legislation providing training under MDTA expired on June 30, 1974, to be replaced by the Comprehensive Employment and Training Act. Some MDTA programs funded during Fiscal Year 1974 continued occupational training activities into the current fiscal year.

DEGREE AND NONDEGREE CREDIT ENROLLMENT
IN INSTITUTIONS OF HIGHER EDUCATION
NEW YORK STATE
FALL 1973



DEGREE AND NONDEGREE CREDIT ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION NEW YORK STATE

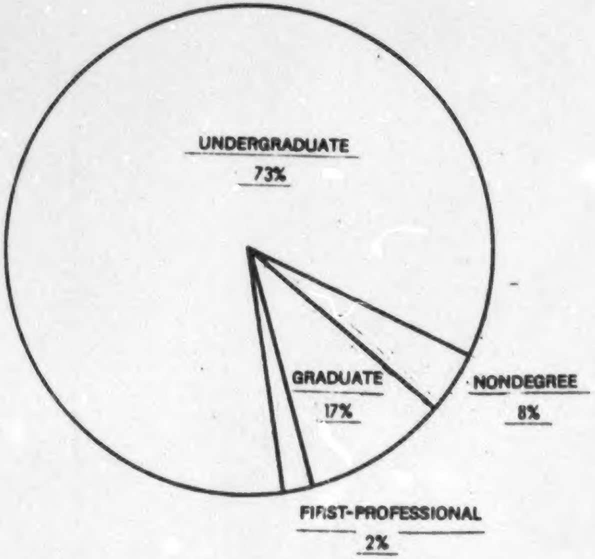
FALL 1973

Total degree and nondegree credit enrollment in the State amounted to 960, 878 in Fall 1973, with 62 percent of these students enrolled in public institutions. Two-year public institutions enrolled 260, 933 students, while two-year nonpublic institutions enrolled only 7, 925. Students enrolled in all nonpublic institutions totaled 368, 348.

Enrollment in public and nonpublic four-year or more institutions accounted for 72 percent of the total State enrollment, or 692, 020 students.

PERCENT DISTRIBUTION OF DEGREE AND NONDEGREE CREDIT ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION NEW YORK STATE

FALL 1973

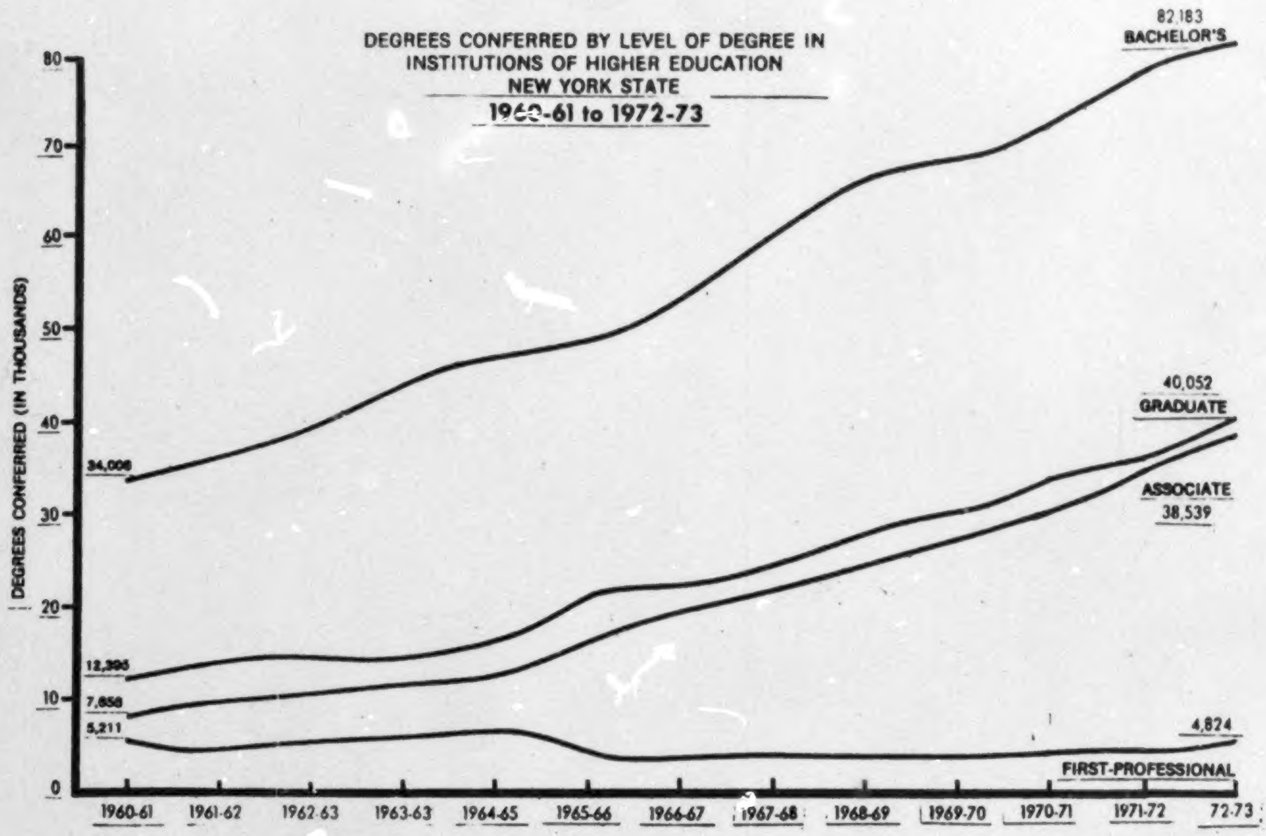


TOTAL STATE ENROLLMENT

PERCENT DISTRIBUTION OF DEGREE AND NONDEGREE CREDIT ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION
NEW YORK STATE

FALL 1973

In the Fall of 1973, the total degree and nondegree credit enrollment in institutions of higher education amounted to 960,878. Of this number, 73 percent were classified as undergraduate, while 17 percent were graduate students. Of the remaining 10 percent, 2 percent were students enrolled in first-professional programs. Eight percent of the total enrollment were classified as nondegree credit students.



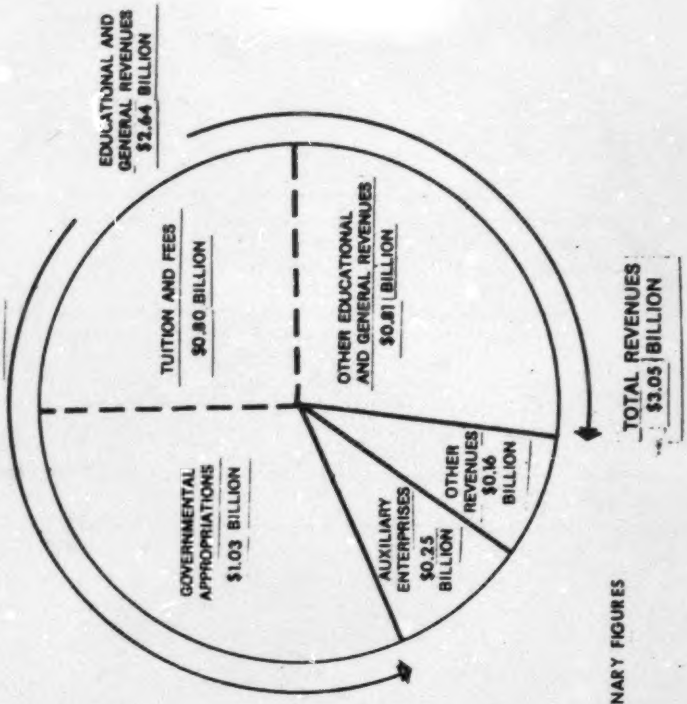
DEGREES CONFERRED BY LEVEL OF DEGREE IN INSTITUTIONS OF HIGHER EDUCATION
NEW YORK STATE
1960-61 to 1972-73

DEGREES CONFERRED BY LEVEL OF DEGREE IN INSTITUTIONS OF HIGHER EDUCATION NEW YORK STATE

1960-61 to 1972-73

Over the past decade, the total number of degrees conferred has steadily increased. The greatest increase is shown in associate degrees conferred, from 7,656 in 1960-61 to 38,539 in 1972-73. Graduate degrees increased from 12,395 to 40,052 in that period, while bachelor's degrees increased from 34,006 in 1960-61 to 82,183. However, first-professional degrees did not follow the same general pattern; annual fluctuations characterize the number of such degrees conferred. From 1960-61 to 1964-65, first-professional degrees increased from 5,211 to 6,279. The number began to decline in 1965-66 due to a change in the definition of first-professional. The five years of college work requirements for the conferral of a first-professional degree was changed to six years. Consequently, degrees in some fields were removed from the first-professional category to the master's category. Therefore, first-professional degrees conferred decreased to 4,054 in 1964-65 and then to a low of 3,203 in 1969-70. Since then, the number has risen to 4,824 in 1972-73.

CURRENT FUNDS REVENUES IN INSTITUTIONS OF HIGHER EDUCATION NEW YORK STATE FISCAL YEAR ENDING 1973*



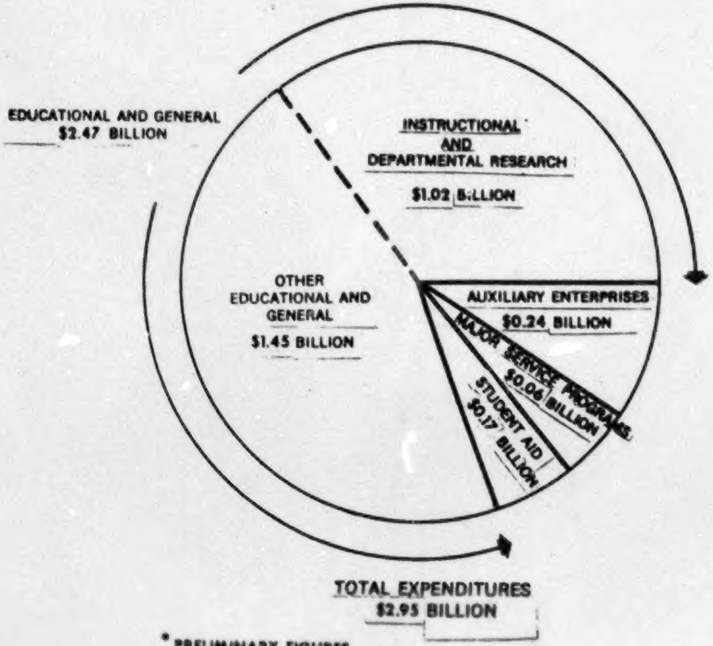
*PRELIMINARY FIGURES

CURRENT FUNDS REVENUES IN INSTITUTIONS
OF HIGHER EDUCATION
NEW YORK STATE

FISCAL YEAR ENDING 1973

Current funds revenues for the fiscal year ending 1973 totaled $3.05 billion. Of the total revenues, 86 percent are classified as educational and general revenues. The sources of the $2.64 billion for educational and general are mainly governmental appropriations, $1.03 billion, and tuition and fees, $0.80 billion. The remaining $0.81 billion are classified as private gifts, endowment income, sponsored research, and other such sources. Auxiliary enterprises, including room and board, account for $0.25 billion. "Other" revenues are the source of the final $0.16 billion.

CURRENT FUNDS EXPENDITURES IN INSTITUTIONS OF HIGHER EDUCATION
NEW YORK STATE
FISCAL YEAR ENDING
1973*



* PRELIMINARY FIGURES

CURRENT FUNDS EXPENDITURES IN INSTITUTIONS OF HIGHER EDUCATION NEW YORK STATE

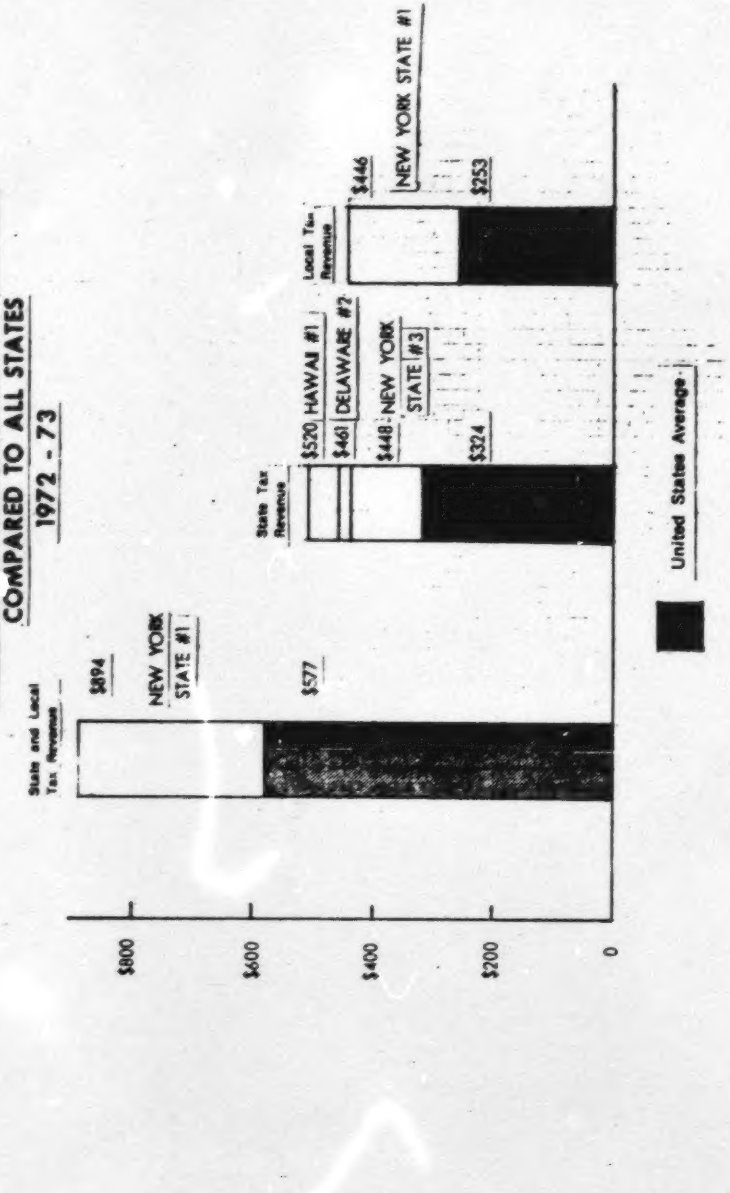
FISCAL YEAR ENDING 1973

The current funds expenditures in institutions of higher education can be distributed into four major categories: educational and general expenditures, student aid, major service programs, and auxiliary enterprises.

In the fiscal year ending 1973, total expenditures for higher education amounted to $2.95 billion. Of the $2.47 billion spent for educational and general expenditures, $1.02 billion were expended for instruction and departmental research. The remaining three categories account for expenditures of $0.47 billion, that is, $0.17 billion for student aid, $0.06 billion for major service programs, and $0.24 billion for auxiliary enterprises.

PER CAPITA TAX REVENUE OF STATE AND LOCAL GOVERNMENTS, NEW YORK STATE COMPARED TO ALL STATES

1972 - 73



PER CAPITA TAX REVENUE OF STATE AND LOCAL GOVERNMENTS, NEW YORK STATE COMPARED TO ALL STATES

1972-73

Based on 1972-73 data compiled by the United States Bureau of the Census, New York State residents pay a high level of taxes. On a per capita basis, New York State stands first in dollar amount of State and local taxes paid--$894 per capita against a national average of $577. For State tax revenue, New York State is exceeded by Hawaii and Delaware. New York's $448 per capita compares with a national average of $324. For local tax revenue, New York State again stands first with $446 collected per capita against a national average of $253.

UNITED NEGRO COLLEGE FUND, INC.,
New York, N.Y., May 1, 1975.

Hon. JAMES G. O'HARA,
U.S. House of Representatives,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: In connection with your subcommittee's deliberations on The Student Financial Aid Act of 1975 (H.R. 3471), the United Negro College Fund has prepared a statement entitled *Student Financial Aid and The Current Financial Crisis at Privately Supported Black Colleges.*

We appreciate this opportunity to point up how the present economic and financial crisis affects privately supported black colleges and to comment on the Student Financial Aid Act as proposed in H.R. 3471.

Sincerely yours,

MILTON K. CURRY, Jr.,
President.
CHRISTOPHER F. EDLEY,
Executive Director.

Enclosure.

STUDENT FINANCIAL AID AND THE CURRENT FINANCIAL CRISIS AT PRIVATELY SUPPORTED BLACK COLLEGES

I. THE CURRENT ECONOMIC AND FINANCIAL CRISIS

A. Background Statement

These are bad times for the country and especially for privately supported black colleges and universities. The present economic and financial crisis is taking its toll upon these institutions, students, faculty, families and sources of financial support. Although privately supported black colleges have not been responsible for generating inflationary spirals, a disproportionate share of the burden of inflation, unemployment and recession have fallen upon them, the region in which most of them are located and upon the families which they serve in large numbers.

Black educational institutions with an overwhelmingly high proportion of low income students, limited and often no endowments coupled with extraordinarily limited resources and access to resources are victims of policies that cater and respond to developments in higher education in general with little or no regard for the strategic and yet peculiar position of black colleges. In the present policy debates, much is said about enrollments leveling off and declining in higher education but it must be noted that in the black colleges enrollment pressures and demand continue to be high. Black colleges have had to decline admission to students because of limited student financial aid and limited capacity to service them. As a result students with excellent potential are not in colleges and many will lose the opportunity to secure a college education.

Black youth continue to place a high premium on higher education in the black colleges. Thus, rather than cut back programs which have just begun to service and partially meet the needs of black colleges and impact upon students from low income families, the federal government must expand resources going to these institutions to allow them to more effectively meet the needs of large numbers of black youth and support them in the battle with the higher cost of providing education.

Increased costs in salaries, fuel, utilities, labor, services, operational expenses, higher interest rates and rehabilitation of physical plants are of particular concern to these institutions. Attempts by institutions to increase their charges to students in order to recover their inflationary losses are disastrous for schools serving large populations of low income persons who do not have the funds in the first place and who must depend upon student assistance which has been diluted because of an increase in the pool of eligibles for a restricted amount of money together with the problem of lending in the banking community.

The present economic crisis tends to reveal that the status of black people is deteriorating and that if followed to its logical conclusion those most disadvantaged will continue to be the ones who bear the brunt of the crisis that faces this nation. Young blacks are being forced to drop out of colleges in disproportionate numbers. Those that graduate are faced with the reality of earning less than the average nonblack graduate. Investing federal dollars in student aid rather than unemployment compensation for black students would be of greater long-range benefit of this society.

The historically black colleges and universities of this nation and continue to be of vital importance. They have championed the cause of equal opportunity for quality education and have provided this opportunity to those who were denied it or could not afford it. They have assumed leadership in the development of techniques for overcoming handicaps of the educationally disadvantaged. They have served as custodians of archives of black Americans and as centers for the study of the black man's problems and achievements. They have developed and expanded programs of education and occupational retraining for minority adults.

This trained manpower has been a major force in the ability of black Americans to benefit from the lowering of racial barriers in business, industry, and government at the federal, state and local levels and will continue to be so in the future. The Federal Interagency Committee on Education has called the black colleges a national resource in view of their fostering meaningful participation by blacks in the mainstream of American life. These institutions continue in their efforts to inspire black youth and other youth of America and help them realize their aspirations. There are today ever increasing numbers of these youth completing college and entering the job arena equipped to make valuable contributions.

In these transitional and often confused days, when changes are being made, the budgets slashed, the role of the federal government will be vital to the future of these institutions.

Some of the general background factors relating to difficulties which privately supported black colleges currently experience in meeting annual costs involve: (a) the inflationary spiral of costs which affects the entire economy, including college operating costs; (b) shifting enrollment patterns; (c) a reluctance to raise tuition rates as a matter of institutional policy; (d) spiralling costs associated with educational and general expenditures of college; (e) the high cost of education supplements required to meet normal expenses even when enrollment is expanded through the provision of additional student financial assistance in the form of scholarships, fellowships, loans and grants; (f) undercapitalization and insufficient financial support; (g) library expenditures associated with the expansion of science and technology but required for quality instruction and the maintenance of accreditation; (h) the competitive scales of faculty compensation required to attract and hold competent teachers; (i) inadequate investment and banking policies which have failed to achieve the best possible yield from the investment of limited endowment funds, and (j) rising and unprecedented costs of insurance and security protection on campuses.

Among the outstanding issues relating to the systematic and orderly growth of these colleges are: (a) a pressing need to expand enrollments among low-income students who often have to be turned away because their families' financial resources make it impossible for them to meet existing costs of tuition and fees; (b) the existence of competitive recruitment policies in the face of financial barriers to rapidly expanding enrollments; (c) the effects of recession expressed in wage cuts and expanding unemployment; (d) a decline in the value of endowment fund portfolios as a result of uncertain economic conditions in the society at large; and (e) low investment yields on limited endowments.

B. Federal funding

Changing federal policies have altered both the proportion and the amount of Federal funds going to predominantly black colleges.

President Nixon, at the 1973 meeting with black college presidents, stated, "that the black colleges are an indispensable national resource." He also reported that during the past four years (FY69–72) both the proportion and the amount of Federal funds going to predominantly black colleges have more than doubled. He cited the FY 72 total as nearly $242 million up from $171 million in FY 71, from $125 million in FY 70, and from $108 million in FY 69. These figures were based on annual surveys conducted by the Federal Interagency Committee on Education (FICE), a co-ordinating group chaired by the Assistant Secretary for Education of the Department of Health, Education and Welfare (DHEW) and includes representatives of 27 federal departments and agencies.

Black colleges have been optimistic as a result of the September 1973 FICE report, and federal funding increased from $108 million in FY 69 to $242 million in FY 72. The September, 1972 FICE FY 73 report of federal disbursements to and for black colleges, now officially released contrasts dramatically with the earlier rates of increase during the 1969–72 period during which period expenditures of black colleges increased by 105%

In 1973 Federal funds to black colleges *decreased* by 3%. The 1972 total amount to black colleges was $257,018,000, but in 1973 this declined to $250,094,000. Federal aid to all colleges, however, decreased 3.2% between 1972 and 1973.

The ratio between federal funds to all colleges and black colleges decreased 0.5%. In 1972 black colleges received 5.5% of total funds expended to all colleges and universities, but in 1973 this ratio was reduced to 5%. Between 1969 and 1972, $21,003,166,000 in federal aid was disbursed to all colleges and universities. Black colleges and universities received only $925,298,000 or 4.4%.

The following federal agencies have reduced their support to Black colleges in FY 73:

	Fiscal year 1972	Fiscal year 1973	Percent
Agency for International Development	$1,500,000	$25,000	99
Department of Commerce	961,500	745,300	23
Health Education and Welfare	209,068,000	202,004,700	4
Housing and Urban Development	5,171,000	3,287,900	37
Justice Department	1,610,600	1,154,200	29
National Endowment for the Acts	137,000	109,500	21
National Endowment for the Humanities	1,257,000	309,500	76
National Science Foundation	9,391,700	6,977,400	26
Total	229,096,900	214,613,500	

These eight Federal Government Agencies reduced support of black colleges by $14,483,400, during FY 73. There have been discrepancies between the "official policy" statement made by the President and administrative practice by the Commissioner and Program Directors in the Office of Education since September, 1973. Although the President spoke of "an indispensable national resource" and "national priority," in fact the priority list for some programs in OE for FY 74 do *not* include black students for the first time in many years and give priority to (1) Spanish-speaking (2) Career education for low income students and (3) Veterans.

An Office of Education Fact-finding Team has recently been studying black students' needs. One of the policy alternatives under consideration is the use of additional Federal funds to stimulate and encourage the desegregation of public Southern White institutions as an alternative to additional support for black college expansion.

There is a Federal policy movement away from institutional assistance towards increasing student aid which assumes a level of endowment and/or State support not now available to black private colleges. Black colleges, however, need institutional support to expand, up-grade quality and extend their curricula. Without this institutional support a possible effect of increased student aid may be increasingly to reduce the proportion of Federal funds going to black colleges through increasing student numbers attending community colleges and other public institutions and proprietary schools.

While it is true that black colleges (proportionately and quantitatively) received increasing federal aid during 1969–72, one may question whether the relative uncertainty both regarding quantity and proportion preclude these colleges, particularly the smaller institutions, from significant qualitative improvement because of lack of capital and endowment funds. For many of the institutions it is a year-to year struggle for survival based on increasingly competitive student recruitment and competition for Federal categorical grants.

2. STUDENT FINANCIAL AID

A. Recommendation for supplementary cost of education grants

In supporting a national goal of equal opportunity through expanding access to higher education for the nation's poor and black youth, we request increased financial assistance for all students with highest priority to those from low-income families. We support and call for expansion of the current program of institutional grants to all institutions on the basis of the proportion of low-income or disadvantaged students attending and graduating. This might take the form of larger grants made directly to each institution in the form of cost of education supplements.

The most significant deterrent to immediate expansion of enrollment to meet the growing demand for higher education and for professional and technical training at black colleges is an insufficient supply of student financial aid especially in the form of scholarships, grants and loans, For black colleges and for black students a need exists for immediate and urgent relief. A large proportion of students at black colleges come from low-income families. Often students who qualify and receive admission to college as freshmen cannot attend without financial assistance. Present funding arrangements are inadequate for students currently enrolled in sophomore, junior and senior classes.

When a substantial proportion of the student body comes from families with annual incomes of $5,000 or less, an exceptionally large number of students are forced to withdraw from college because of insufficient financial resources. In addition current statistical reports indicate that the Southern region in which most of the black colleges are located is the region most severely and adversely affected by the current economic and financial crisis. Moreover, the present economic crisis which has increasingly affected more and more Americans during the past 3 years has been felt for a much longer period of time in low-income black communities. It is important to the internal health and well-being of the nation that more financial aid be made available to low-income students and disadvantaged students who attend and graduate in large numbers from institutions such as the forty-one member institutions of the United Negro College Fund.

A unique aspect of the student financial aid issue as it affects black colleges generally and especially private black colleges, relates to the fact that even an expansion of enrollment through an increase in the amount of student aid places a heavy burden on institutions which maintain a low tuition rate as a matter of policy.

Institutions which belong to the United Negro College Fund charge $1,000 or less for an education that actually costs from $5,000 to $8,000. This means that since tuition covers only a fraction of the educational costs, the enrollment of more students serves to create additional expenditures which the institutions must cover from other sources. As a result black colleges require additional and substantial funds in the form of supplementary cost of education grants to meet demands for expanded enrollment.

B. The proposed Student Financial Aid Act, 1975 (H.R. 3471)[1]

The United Negro College Fund has serious reservations about certain provisions of The Student Financial Aid Act of 1975 and how it relates to financially assisting students and institutions.

Though there are features which we applaud such as removing the one-half cost limitation on Basic Grants, authorizing of higher maximum grants, extending theBasic Grants and work-study to include part-time students, we find that on the whole, H.R. 3471 is seriously unresponsive to the needs of those students who can least afford access to higher education.

The United Negro College Fund's specific concerns as they relate to H.R. 3471 are as follows:

1. *Broadening Base of BEOG Support*—Unless vastly increased federal funding is provided, the major effect of broadening the eligibility base of the Basic Educational Opportunity Grant will be to make less money available to the neediest students. Funds going to low-income and disadvantaged students will be reduced in order to include students from middle-income families. The United Negro College Fund favors broadening the eligibility requirements per se but oppose doing so at the expense of the students with the greatest need.

Too many eligible basic grant recipients are currently unable to make up the difference between the basic grant and the cost of tuition and living expenses. *Aid to these students must be increased, not decreased.* Any decrease could spell disaster for the lives of thousands of needy students.

---

[1] The section on The Student Financial Aid Act of 1975 has been prepared by Alan H. Kirschner, Assistant to the Executive Director of the United Negro College Fund.

The bill should include a clear statement that if the program is not fully funded, eligibility will be curtailed according to a formula whereby the neediest students will not be adversely affected.

2. *$1,000 Maximum Basic Grant*—The proposed increase in the maximum basic grant from $800 to $1,400 represents a laudable effort to improve access to higher education, but at the same time still falls far short of making sure that college doors are never closed because of a person's financial circumstances.

The average total cost for a student attending a UNCF member institution is between $3,500 and $3,900 per year. If we optimistically assume that the basic grant program is funded at a level permitting maximum grants of $1,400 a year, over $2,000 in additional funds are still required to make up the actual cost.

Each college is expected to provide the remaining funds for students who cannot afford to pay the difference between the grant and the actual cost of attending the institution. Colleges which serve a predominantly low economic group are most adversely affected because they must provide the largest additional support beyond the grant aid. It is ironic, yet entirely conceivable, that a college which accepts too many BEOG recipients can actually go bankrupt by being unable to provide the additional necessary support for these students. In effect, those colleges providing opportunities for poor and disadvantaged students are discouraged from carrying out the mission of this very legislation.

We urge the Subcommittee to reconsider the $1,400 maximum grant in H.R. 3471 as a figure which falls far short of insuring access for all to higher education and which seriously overburdens those colleges that have made the greatest strides in educating the poor and disadvantaged of this country.

3. *Allotment Among States*—A recent study by Professor John W. Wiersma at Southern Methodist University revealed that students attending the six United Negro College Fund member institutions in Texas are receiving less than their entitled share of federally subsidized state financial aid to students. Although the proportion of students attending United Negro College Fund mmeber institutions in Texas is 16% of the total eligibles, only 7.55% are in fact being funded. The average grants to students attending the six United Negro College Fund member institutions in Texas ranged from 15% to 24% below the level of grants made to students at all other colleges in Texas.

There is every reason to believe that these discrepancies are not peculiar to the state of Texas. The major reason for them appears to be the lack of explicit federal guidelines on the criteria for state student financial aid decisions. Some colleges and universities are receiving state aid for their students based upon tuition plus living expenses; other colleges are receiving aid based solely on tuition. Stricter guidelines by the federal government are essential to prevent such inequities.

The provision of H.R. 3471 regarding the State Scholarship Incentive Grant Program encourages low cost education by allowing facilities support for institutions without tuition or fees. This is much too restrictive. Almost all colleges require payment of at least a student fee. It is of the utmost importance that this provision also include all those private colleges which have deliberately kept tuition below a certain level to accommodate students from low-income backgrounds. The forty-one member institutions of the United Negro College Fund have as a matter of policy maintained a low tuition rate. They have been reluctant to increase tuition because of the large number of students who can not afford to pay more. It has too often been the case that when tuition is kept low, the amount of federal money is also kept low. We are glad that H.R. 3471 tries to encourage low cost education and we strongly urge expansion of the State Scholarship Incentive Grants to include all private colleges which further this goal.

4. *Guaranteed Student Loans.*—Loans to the neediest students serve only to perpetuate the burden on the folks least able to bear it. What is most destructive is the adverse effect this can have on the family structure. If a young couple with only a minimal income must pay off thousands of dollars in loans, then both the parents and children will suffer. Grants, work-study and cooperative education are far better sources of assistance than loans for the students

from low-income families. Loans can be very effective if limited only to students with less pressing financial needs.

5. *Supplemental Grants.*—Supplemental Grants hold critical importance because they fill a gap by providing additional financial support to grant recipients. The program not only awards grants to cover the full cost of tuition, fees, books and other direct instructional costs, but also provides an allowance for the average cost of living minus the expected family contribution.

H.R. 3471 proposes to restrict eligibility to this program to students who demonstrate "outstanding academic performance." This would scrap the need-based system of awarding grants and substitute a system whereby a small number of BEOG recipients who do well on a special test will receive grants.

It is commonly known that minority and economically disadvantaged students traditionally fare poorly on standardized tests, most of which are geared to white middle class students. We know of no test developed which can properly claim to identify students from low income backgrounds who show outstanding academic promise.

The proposed legislation authorizes the National Institute of Education to study the feasibility of, and to develop and test techniques of measuring scholastic aptitudes which are "free of cultural, socio-economic, racial, religious, sexual and ethnic bias." We suggest that at least until this study is completed and its results disseminated to the public that the government not get involved in the business of deciding who is smart enough to attend college.

6. *Special Programs and Projects*—A major thrust of this program is to identify qualified students from low-income families and provide services to them through grants and contracts. The "Talent Search" program identifies youths with financial or cultural need and with an exceptional potential for postsecondary education to encourage them to complete secondary school and undertake postsecondary educational training. The "Special Services for Disadvantaged Students" provides remedial and special services for students with academic potential.

The historically black colleges and universities of this nation have championed the cause of providing a quality education to those who were denied it or could not afford it. In a random sample of ten of these colleges it was found that none was funded to include both the Talent Search Program and the Special Services for Disadvantaged Students. Three of the colleges had neither program and the remainder had one or the other. Special guidelines must be established which would identify those institutions with an overwhelmingly high proportion of low income students to make certain that they receive high priority consideration to participate in these programs.

We are pleased to learn that the College Work-Study program is being expanded to include part-time students. We would like to suggest, however, that a special effort be made to establish both the College Work-Study and the Job Creation programs at colleges located in small towns as their students have the least access to jobs in the community.

3. STUDENT FINANCIAL AID AND INSTITUTIONAL SUPPORT

The United Negro College Fund and its 41 member college strongly support the College Endowment Funding Plan (CEFP), which has been developed and submitted to the United States Department of Health, Education and Welfare by Dr. Frederick Douglas Patterson, as a mechanism for providing institutional support to postsecondary institutions. This plan offers several advantages. First, it aids institutions indirectly by supplementing student financial assistance and directly through institutional grants such as the ones for research and physical plant facilities. Second, the Plan offers an institution a stable amount of budget income overtime while systematically and regularly contributing to capital formation. Third, the building of endowment under this plan is accomplished by establishing and investing discrete amounts in modular units of endowment.

The basic elements and operation of the College Endowment Funding Plan are as follows:

A college raises a sum of $100,000 from private gifts and philanthropies. This sum is "matched" 3-for-1 by a $300,000 loan obtained by the college from the loan capital market at the current interest rate. An endowment factor equal to 50% of the gift for programs is provided to enable a borrowing institution to carry the full interest cost of the loan. This $459,000 is then utilized as an endowment fund module. This endowment package is then invested, either by the college, by a fund manager selected by the college, or in a pool of such units from several colleges, e.g., The Common Fund. The investment goal is to generate, over the term of the loan, approximately $10,000 a year of income to the college plus sufficient other income to make annual interest payments on the loan and retire the loan principal. After the loan is retired, the college then owns free and clear, the endowment fund module of $450,000.

The basic element of the CEFP are neither new nor unique in college financing. They include: (1) use of private gifts and philantropies; (2) "matching" monies; (3) the "challenge" concept of matching the results of fund raising from private sources; (4) use of low cost loans by educational institutions; (5) formation of institutional capital through the establishment and investment of endowment funds; (6) use of endowment income as part of an institution's educational and general income; and (7) use of endowment income to pay off loans, both interest and principal.

A new unique feature of the CEFP is the manner in which these basic elements of institutional financing are "packaged" in interacting and mutually supporting ways. In addition, the structure of the CEFP permits flexible variation and trade-offs among its component elements: Term of the loan; loan payback schedule; amount of scheduling of budget income taken from endowment income; and relative size of the endowment fund produced after the loan is paid off.

Colleges can capitalize on such potential variations and trade-offs in negotiating loans with lending institutions and in adapting the pattern and schedule of endowment income utilization of fit their unique requirements.

It would be appropriate for the United States Government to adopt and implement this plan now because the fundamental problem of higher education, and of small colleges in particular, relates to the difficulty of securing funds required for basic operations. The rise in educational costs, the competition for students and well-prepared personnel, as well as inflation, must be met by increasing revenues from public and private sources.

Monies from those sources are most often contributed for special-purpose projects, in addition to existing programs, and are usually intended to be spent over a short period of time. This type of aid, while it improves the variety of activities that are available, does not ease the financial problems of institutions. Indeed, it often augments them, as restricted short-term funding invariably contributes to new higher levels of ongoing expenditures. In short, both federal and private assistance *tend to create permanent programs, but provide only temporary financing.* Thus, colleges and universities end up with a program expenditure built into the budget.

The College Endowment Funding Plan is a mechanism for providing financial aid to postsecondary institutions. It supplements student aid which indirectly aids institutions and other direct institutional aid programs such as grants for research or physical plant. CEFP is designed to provide an institution with stable amounts of budget income over time while systematically contributing to capital formation. This is accomplished by establishing and investing modular units of endowment.

The expansion of institutional grants should take the form of large grants made directly to each institution in the form of a cost of education supplement.

All legislative matching fund requirements should be eliminated for institutions which carry significant proportions (20% or more) of students from low income families.

Funds should be earmarked for developing institutions which produce significant proportions of graduates from low income families. Arrangements should be made to provide direct governmental funding of facilities proposals over and above the limits of state by state allotments for these colleges with a disproportionate number of low income students compared with the percentage enrolled normally either nationally or regionally.

B. COMMENTS ON THE GRANT PROGRAMS (BASIC EDUCATIONAL OPPORTUNITY GRANTS AND SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS).

NATIONAL CATHOLIC CONFERENCE
OFFICE OF GOVERNMENT LIAISON,
Washington, D.C., October 24, 1974.

Hon. JAMES G. O'HARA,
House of Representatives,
Washington, D.C.

DEAR MR. O'HARA: I am writing in reference to a concern we have about the criteria for student assistance in the Basic Educational Opportunity Grant Program.

We strongly recommend that any legislative changes of those provisions dealing with student assistance allow for the inclusion of elementary and secondary educational expenses of family members in the calculation of the ability of that family to contribute to the payment of the higher educational costs of the children of the family. Such a family is often faced with considerable expenses to insure that their children get a quality education at the elementary or secondary level.

Since this sort of provision is included in the Supplementary Grant Program, we feel it would be consistent to include it in the Basic Educational Opportunity Grant Program as well. The enclosed memorandum will provide you with a more detailed rationale for this recommendation.

We hope you will give this matter serious consideration and request that our views be incorporated in the legislative record.

Sincerely,

JAMES L. ROBINSON, *Director.*

MEMORANDUM: RE BASIC EDUCATIONAL OPPORTUNITY GRANTS: CRITERIA FOR STUDENT ASSISTANCE

The education Amendments of 1972 (P.L. 92–318) authorized an extension of the Supplementary Educational Opportunity Grant Program and a new Basic Educational Opportunity Grant Program. In the first of these programs Congress provided that there be consideration of all educational expenses of family members in any calculation of the ability of a family to contribute to defraying the cost of their children's higher education expenses (sec. 413(c) (a) (2) (d) (v)). In the second program, the Basic Educational Opportunity Grants, such educational expenses were limited to members of the family enrolled in postsecondary education only.

The reason for this disparity between these two programs is more technical than reflective of the intent of Congress. The House version of this legislation did not include an authorization for the Education Grant Program. The provision relating to educational expenses was added on to the Supplementary Grant Program by an amendment of Congressman Scheuer of New York. The Scheuer amendment was adopted and the House version of the legislation enacted after final passage of the Senate version. Consequently, there was no opportunity to add a similar amendment to the newly authorized Basic Educational Opportunity program in the Senate Act. In the ensuing conference, the rules would not allow for the adoption of such an amendment to the Basic Grant Program.

Although this could not be accomplished by the conferees, there was the feeling that the U.S. Commissioner of Education would have sufficient flexibility in the matter and thus use his discretionary authority to include elementary and secondary expenses in the regulations covering the new student aid programs. There have been repeated requests to the Commissioner for such a ruling by a number of interested parties but to no avail. Consequently, we feel it is necessary to recommend an amendment to that section of the legislation authorizing the Basic Grant Program which would allow for the inclusion of all educational expenses of family members in the calculation of the ability of the family to contribute to the payment of the higher educational costs of the children of that family. This would establish uniformity in the student aid programs.

SOUTHERN ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS,
February 26, 1975.

Congressman JAMES G. O'HARA,
Rayburn House Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: The attached resolution was adopted in Richmond at our SASFAA annual meeting on February 19, 1975. It is a reinforcement of our continued effort to have the Office of Education provide institutions with the fair cost of administering the Basic Educational Opportunity Grant Program.

As the program expands not only is there an increase in the paperwork but much additional counseling time with the student is needed to coordinate effectively the BEOG with other forms of student financial assistance.

We urge your continued support to encourage the Office of Education to implement provisions for disbursing administrative costs to postsecondary institutions.

Sincerely yours,

MRS. WARREN C. LIGHT,
President.

A RESOLUTION

Whereas: the Higher Education Amendments of 1972 created the Basic Educational Opportunity Grant Program as a "floor" to provide access for students to enter postsecondary education, and

Whereas: the delivery system involves the institutional aid office as an intermediary between the student and the U.S. Office of Education, which establishes eligibility through its contractor, and

Whereas: the law provides for administrative expenses to be paid to agents acting in behalf of the federal government, and

Whereas: as the entitlement is extended to additional classes and now part-time students, the work load of the postsecondary institutional aid office and expense involved increases, therefore, be it

Resolved, That the Southern Association of Student Financial Aid Administrators meeting in Richmond, Virginia, on February 19, 1975, go on record requesting immediate provision of regulations by The Division of Basic Grants of the U.S. Office of Education to pay to postsecondary institutions the administrative expense for the BEOG program. Such administrative expense should cover the cost involved by a postsecondary institution by providing a minimum of $25.00 per recipient of a basic grant or 5% of the actual disbursements to students; should be retroactive for the academic year 1974-75; should be instituted for future years, and, be it further

Resolved, That copies of this resolution be sent to President Gerald Ford, Senator Claiborne Pell, Congressman James G. O'Hara, Commissioner of Education Terrel Bell, John Phillips and Peter K. U. Voight.

LONG ISLAND UNIVERSITY,
THE BROOKLYN CENTER,
Brooklyn, N.Y., April 7, 1975.

Congressman JAMES G. O'HARA,
Chairman, Subcommittee on Postsecondary Education, Cannon House Office Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: Thank you for your letter of March 13 which I have just received. I am writing this letter because of it and in order to affirm my strong support of those provisions of your proposed bill which relate to merit scholarships. There exists a certain tendency today, prevalent for very understandable reasons, to confuse fairness with respect to opportunity and fairness with respect to quality. Such confusion can be most harmful. Obscuring priorities and objectives, especially where resources are so limited as they are at present, can cause great damage. It will not only deprive too many highly qualified individuals of the chance to develop and exercise their full capacities, but it will harm the general welfare by not bringing forward in these difficult times a suitably trained body of persons of proven excellence and caliber, competent to deal with the requirements of advanced study. It is clear that many who are otherwise qualified may be in financial need. These certainly should be eligible for full scholarships or full supplemental grants.

I realize that the term 'postsecondary education' embraces a wide spectrum, ranging from the narrowly vocational to the highly advanced technical and theoretical fields. The concern of this letter, however, is only with the issue of the highly theoretical and of those technological and practical disciplines and applications which incorporate theoretical knowledge. By this time it should be obvious that the security as well as the welfare of our country rests upon the ongoing development, uses, and applications of the most advanced disciplines. These, in turn, are the functions of trained and working minds.

Congress should provide for persons possessing such minds, not simply for the sake of individual enhancement, but for the good and, in fact, for the existence of the country itself. If scholarships are among such means of aid, as they have been traditionally, and if financial resources are limited as they are now, then it should be the first order of business to see to it that 'merit' be primary among the priorities which relate to scholarships and grants.

Talent should be encouraged, brought forward, and developed. But there is a difference between the discovery and nurture of potential talent and the active cultivation of talent already in being. Equal opportunity applies to the former, merit to the latter. At this time primary need requires that the grant of scholarships be based first of all upon merit. This is certainly so with regard to institutions centered around the more advanced disciplines.

I would therefore like to urge that it is crucial that Congress pass your bill as it stands.

Very truly yours,

LINCOLN REIS.

BARRY COLLEGE,
Miami Shores, Fla., April 14, 1975.

Hon. CLAUDE PEPPER,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN PEPPER: I am appealing to you to give strong consideration to H.R. 3471 as it comes to your attention for vote.

A cross-examination of this bill will indicate that it is a very incomplete interpretation of the needs of high education and of the students involved in higher education. The tuition gap between public and private institutions must be included as a priority need today, and federal incentives are necessary to assist in diminishing it. Then, too, serious attention must be accorded to the middle income levels. There is no reason why this income level should pay the taxes for the benefit of all others without an equitable return for themselves. Students of middle-income families should not be the sole group restricted to a work-study benefit.

Most importantly, the suggested removal of the ½ cost-of-education limitation of BEOG grant may eventually become the salient future of H.R. 3471. May I ask that you support the retention of the ½ cost-of-education formula current in BEOG as well as the threshold funding levels of the three campus-based programs as in the present law. The deletion of the ½ cost limit would not affect eligible students at high-cost institutions. We do believe it would adversely affect enrollments at private colleges.

Thank you for your consideration of this matter and we do appreciate all the efforts you extend toward the passage of legislation beneficial to higher education today.

Cordially yours,

Sister M. TRINITA FLOOD, O.P.,
President.

MARIETTA HIGH SCHOOL,
Marietta, Ohio, April 17, 1975.

Hon. CLARENCE E. MILLER,
Cannon Building,
Washington, D.C.

DEAR CONGRESSMAN MILLER: I am enclosing a letter which helps point out the difficulty schools are having in helping to carry out the good intentions of Congress in helping deserving students.

Fortunately for high school counselors, our colleagues in the college financial offices keep us posted, so I did know when and where the sessions were being held.

Now that I have that off my chest, I would like to express my feelings on what I consider to be the unrealistic expectations of what parents are expected to pay toward their children's education under the Basic Educational Opportunity Program.

The family that works hard, saves, buys a modest home, and encourages their child to work and save is actually penalized by the system.

I might point out, that it is this very group that often produce some of our best and hardest working students.

I hope when Congress reviews the aid offered under the Basic Educational Opportunity Grant Program they will see fit to give a break to the so called "middle class" income group because those families earning $15,000.00 to $20,000.00 yearly can no longer be realistically classified as a "middle class" income group.

Sincerely,

(Mrs.) PHYLLIS WELLS,
Director of Guidance.

UNIVERSITY OF PUERTO RICO,
Rio Piedras, Puerto Rico, May 1, 1975.

Hon. JAMES O'HARA,
Chairman, Subcommittee on Postsecondary Education, Education and Labor Committee, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: As I promised during your visit here this week when you addressed the National University Extension Association, I take pleasure in writing to you to explain formally what I told you informally about the importance to the University of Puerto Rico of the Basic Education Opportunity Grant Program.

As you will see from the attached memorandum and the accompanying tables, the BEOG program has been tremendously helpful—a real success story which we fervently hope and expect will become even more successful in the future.

Table III gives comparative data on all funds available to the University for student grant assistance—all assistance except loans—for 1973–74 and 1974–75. Principally as a result of our taking greater advantage of the BEOG program, the level of funds for student grants reached $22.1 million in the current academic year, compared with $12.1 million in 1973–74. BEOG funds went up from $1.5 million in 1973–74 to $9.8 million this year.

Table II gives a break-down on BEOG grant assistance by family income level. As the table shows, all but a few thousand dollars of the funds allocated had been obligated by the time this table was compiled. Again, it is clear that the BEOG program is of crucial importance to us, since 74.4 percent of all grant recipients come from families with annual incomes below $6,000.

When we consider that BEOG grants are available this year only to first and second year students, we see how important they will become in the next academic year when we hope third year students will also be eligible to receive them.

The BEOG program is of decisive importance at this time because the Commonwealth has been hard hit by general inflation, the soaring cost of imported petroleum on which our economy is almost totally dependent, sharply rising unemployment, and declining real personal income and government revenues.

I trust that this information will be helpful to the Subcommittee. If you wish to have additional information, please let me know.

I am sending copies of the memorandum and the tables to the Senate Subcommittee on Education and to Resident Commissioner Jaime Benitez in the hope that they, too, will find it useful.

It was a pleasure to hear your address to the NUEA. Could you spare me a copy so that I can circulate it to some of my colleagues who could not attend the banquet?

Many thanks in advance and all best wishes.

Cordially,

ARTURO MORALES CARRION, *President.*

Enclosures.

MEMORANDUM ON STUDENT AID AT THE UNIVERSITY OF PUERTO RICO

I. LEGISLATIVE AUTHORITY

This memorandum deals with student aid at the University of Puerto Rico, particularly the Basic Educational Opportunity Grant Program, which is authorized under Subpart (1) of Part A of Title IV of the Higher Education Act of 1965, as amended by the Education Amendments of 1972.

II. FINANCIAL AID AT THE UNIVERSITY OF PUERTO RICO

The University of Puerto Rico is a public institution in which equality of opportunity is an official objective and guiding principle. The total enrollment for the present year (1974–75) is 52,000, constituting 54 per cent of the total enrollment in higher education in the Island.

The University of Puerto Rico has the lowest tuition rates of all U.S. Land Grant Institutions. It offers three types of basic financial aid programs for students: *scholarships* (becas), *work and study*, and *loans*.

Becas are awards of money, discounts or remissions of charges, or similar financial considerations, most of which require neither repayment at some future time nor service to be performed by the recipient. In the case of some students in the Medical Sciences Campus, for example, recipients of grants may be expected to perform services after graduating. The *work-study* program enables the student to work on campus for a number of hours a week receiving payment for specific services.

Loans are sums of money awarded with the stipulated requirement that they be repaid, in kind or service, in whole or part, at some future date, in some cases with, and in other cases without, the payment of interest. The vast majority of students are required to reimburse the whole amount of the loan, even though they may not have to pay interest.

III. BEOG PROGRAM AT THE UNIVERSITY OF PUERTO RICO

The Basic Educational Opportunity Grant (BEOG) Program is a new source of Federal student financial aid which provided funds for the first time in academic year 1973–74. This program provides for the payment of Basic Grant awards to students attending eligible institutions of postsecondary education. Basic Grants are intended to be the "floor" of a financial aid package and may be combined with other forms of aid in order to meet the full costs of education. Student eligibility is primarily based on financial need determined on the basis of a formula developed by the Office of Education. Under this program, a student completes an application form which shows the income and asset information required to calculate his eligibility index. It should be noted that eligibility for Basic Grants is determined on the basis of financial need and that there is no scholastic determination made.

The authorizing legislation specifies that a student's maximum grant eligibility is $1,400. less the expected family contribution, and is not to exceed one-half of the cost of attendance at the institution the student chooses.

IV. THE BEOG PROGRAM AT THE UNIVERSITY OF PUERTO RICO

A Success Story:

The Basic Educational Opportunity Grant (BEOG) Program has been very effective; it has enabled a large number of students to begin and continue their college education. The vast majority of our students come from low-income families (see Table II attached) and it would be impossible for them to attend institutions of higher learning without receiving some type of financial aid. Even with (BEOG), however, many parents have to borrow money in order to meet the educational costs of their children, often creating difficult financial burdens for the family to carry.

Quite understandably, students of the University of Puerto Rico have a marked preference for the scholarships because usually they do not have to repay the funds awarded. Unfortunately, the funds for scholarships are very limited. Once they are exhausted, students are offered work, a federal loan or a package of aid, depending on the funds available. Since the start of the (BEOG) Program, many students who formerly had to seek aid through the loan program are receiving a basic grant.

Without federal funds our institution would not be able to provide financial aid to the large number of students who apply for it and who are eligible to receive it. As it is, many students who are receiving aid are not receiving enough and many others who are eligible by all tests are not receiving any. The aid covers basic expenses but does not cover personal expenses.

In other words, many of our students are heavily burdening their future by borrowing too much, because grant funds are scarce, especially now with our economy in a serious recession.

Table I shows latest estimates for the total number of students who are receiving basic grants by institutional unit, amount of financial aid awarded, and average cost per student, for the present academic year, 1974–75.

TABLE I

University of Puerto Rico	Estimated Total aid	Estimated Number of recipient	Estimated Average cost
Rio Piedras	$2, 264, 304	2, 778	$814
Mayaguez	1, 910, 000	2, 267	843
Medical sciences	105, 514	135	782
Cayey	655, 178	751	875
Regional colleges	(4, 887, 370)	(5, 773)	(847)
Aguadilla	603, 620	682	885
Arecibo	1, 259, 598	1, 437	877
Bayamón	913, 064	1, 120	815
Carolina	191, 944	244	787
Humacao	1, 185, 970	1, 385	856
Ponce	733, 174	905	810
Totals [1]	9, 822, 366	11, 704	838

[1] These costs are estimates, subject to further refinement.

V. RECOMMENDATIONS

After reviewing our situation, we present these four recommendations:

(1) We favor making Basic Educational Opportunity Grants available to up to 100 per cent of Student s Educational Cost instead of 50 per cent of the total cost.

(2) We favor extending the program to cover graduate students. At the present time, only undergraduates are eligible.

(3) The (BEOG) program requires a legal certification to guarantee the reliability of information provided by the student. In Puerto Rico, only lawyers can be notary publics and they charge $5 to $10. We wonder if this requirement could be waived, especially for students already enrolled, since their financial need an eligibility have been established.

(4) We believe the program should provide 3 per cent for administrative expenses.

TABLE II.—BEOG PROGRAM: NUMBER OF AID RECIPIENTS, AND AMOUNT SPENT BY INCOME CATEGORY, 1974-75

University of Puerto Rico	$0 to $2,999		$3,000 to $4,499		$4,500 to $5,999		$6,000 to $8,999		$9,000 to $11,999		$12,000 plus		Total number of students	Total cost
	Number of recipients	Cost	Number of recipients	Cost	Number of recipients	Cost	Number of recipients	Cost	Number of recipients	Cost	Number of recipients	Cost		
Rio Piedras	766	$699, 175	447	$402, 074	476	$425, 006	634	$495, 118	329	$185, 249	126	$57, 682	2, 778	$2, 264, 304
Mayaguez	832	769, 064	564	499, 839	248	213, 054	362	290, 698	188	105, 905	73	31, 440	2, 267	1, 910, 000
Medical sciences	118	98, 100	17	7, 414									135	106, 514
Cayey	292	249, 076	195	169, 191	110	96, 745	143	132, 422	9	7, 050	2	694	751	655, 178
Regional colleges	2, 686	1, 954, 948	1, 327	1, 319, 589	613	586, 484	758	733, 105	300	244, 368	89	48, 876	5, 773	4, 887, 370
Total	4, 694	3, 770, 363	2, 550	2, 398, 107	1, 447	1, 321, 289	1, 897	1, 651, 343	826	542, 572	290	138, 692	11, 704	9, 822, 366

NOTES

These costs are estimates, subject to further refinement.

1. Table II shows that 74.4 percent (8,691) of all recipients have incomes below $5,999.
2. 16.3 percent (1,897) have incomes of $6,000 to $8,999.
3. 7.05 percent (826) have incomes of $9,000 to $11,999.
4. 2.25 percent (290) of all recipients have incomes over $12,000.

TABLE III.—FINANCIAL AID PROGRAMS: COMPARATIVE TABLE OF FUNDS AVAILABLE

Programs	1974-75	1973-74	Increase or (decrease)
1. Scholarships—Commonwealth of Puerto Rico	$6, 326, 247	$6, 326, 247	0
2. Scholarships—Supplemental educational opportunity grants	1, 357, 638	997, 734	$359, 904
3. Scholarships—State student incentive grant program (SSIG)	90, 339	0	90, 339
4. Scholarships—College work 10 percent (becas)	281, 382	0	281, 382
5. Scholarships—Basic educational opportunity grant (BEOG)	9, 841, 245	1, 535, 427	8, 305, 818
6. Scholarships—Medical, odontological and veterinary	420, 300	420, 300	0
7. Scholarships—Medical, odontological and veterinary, Federal	54, 540	55, 493	(953)
8. Scholarships—Pharmacy, Federal	100, 000	372, 000	(272, 000)
9. Scholarships—Graduate or professional	160, 000	110, 000	50, 000
10. Other particular grants	300, 000	290, 000	10, 000
11. College work study [1]	3, 165, 552	2, 000, 000	1, 165, 552
Total funds	22, 097, 243	12, 107, 201	9, 990, 042

[1] Combined 80 percent Federal and 20 percent local.

Note.—Federal loans are not included.

C. COMMENTS ON WORK PROGRAMS (COLLEGE WORK-STUDY AND COOPERATIVE EDUCATION)

GEORGETOWN UNIVERSITY,
Washington, D.C., February 26, 1975.

Congressman JAMES G. O'HARA,
Chairman, House Special Subcommittee on Education, Rayburn House Building, Washington, D.C.

DEAR MR. CONGRESSMAN: Your sub-committee is currently considering legislation affecting cooperative education programs. May I endorse the recommendations previously forwarded by Messrs. Godfrey and Stoughton, as follows:

1. Future legislation should place a high priority on grants to institutions that are developing cooperative education programs in academic disciplines which satisfy the needs for increased numbers of career employees, as indicated by U.S. Dpeartment of Labor projections.
2. Administration of cooperative education funds should continue to be centralized in the Office of Education in Washington, D.C., rather than delegated to the regional offices.
3. No grants should be made for feasibility studies or planning. Institutions should undertake these activities at their own expense.
4. The limitation on funding for administration of programs should be increased from three years to five years, but in decreasing amounts each year so that self-support from institutional funds would be required in increasing amounts each year.
5. The limitation of $75,000 per institution should be continued.
6. The total amount authorized annually should be increased to $20,000,000, with $17,000,000 specified for program administration and $3,000,000 for training and research.
7. Vocational-technical programs should not be funded under the law since other federal legislation provides funding for these programs.
8. Future legislation should provide financial incentives to employers participating in cooperative education.
9. Future legislation should place a high priority on grants to institutions that develop programs which meet certain criteria and guidelines. The criteria established for this legislation should emphasize the integration of theory and practice, counseling to recognize and organize objectives, productive work, and the career development aspects of cooperative education.
10. Accountability should be built into the legislation and into the guidelines for administration of federally-funded cooperative education programs. Funds should be made available for independent evaluation of these programs on a year-by-year basis. Recommendations contained in the report entitled Search for Success, prepared by the National Advisory Council on Education Professions Development, are endorsed.

It is particularly important in these troubled times that strong ties be built between education and life—to the emelioration of economic conditions.

Very truly yours,

JOHN A. CHASE, *Assistant Dean.*

AUSTIN, TEX., *February 26, 1975.*

Hon. J. J. PICKLE,
Cannon Building,
Washington, D.C.

DEAR CONGRESSMAN PICKLE: It occurred to me that, with the current economic recession, the students who are presently in college are going to have a very difficult time finding jobs this summer. Also, many of the private institutions of higher learning, and I am sure some of the public institutions, are finding it very difficult to balance their budgets; therefore, they are forced to cut their expenditures and this is mainly done by not keeping their plants in adequate repair.

With these two problems in mind—namely trying to create jobs and at the same time help institutions of higher education—it would seem logical for the Federal Government to give consideration to helping the situation. There are students in colleges and universities who are currently paying for their education through guaranteed private loans. These loans are different from the work-study program and the National Direct Student Loan as these private loans are not due until nine months after the student graduates or leaves the institution. If, however, the Federal Government could fund a program whereby money would be furnished the institutions of higher learning enabling them, through their currently established student loan officers, to hire these students this summer to work at the institution, and the institution then pay off part of the student loan to the private lender, it would have the effect of (1) Giving the student work and some degree of respect that he is paying off part of his college expense; (2) Giving the college or university a labor force for much needed repairs and work on the campus; (3) Return some money to the banks and lending institutions which could be put back into the economy; and (4) Occupy the student during the summer to keep him from being a disruptive force in our society.

I, therefore, think it is well worth considering even though I know in any program of this kind, there are bound to be abuses. The problem I foresee with such a program of this kind is whether it can get funding in time for it to have an effect this summer.

If you find this idea interesting, I will be happy to do any research on it, at my expense, in order to see if it is practical and what impact it would have.

Sincerely,

WILLIAM B. CAMPBELL.

COKER COLLEGE,
Hartsville, S.C., March 4, 1975.

Representative JAMES O'HARA,
Chairman, Subcommittee on Postsecondary Education,
Washington, D.C.

DEAR SIR: I wish to support your policies on student financial aid. As a student I received Guaranteed Loans and National Direct Student Loans in the amount of $3,200.00.

Now, as Financial Aid Officer at Coker College, I concur with your philosophy of expanded work study and job opportunities and reduction of borrowing in financing education.

Coker emphasizes cooperative education programs and we hope to expand it each year. After all, a meaningful job is a goal for every student. I totally support your cooperative education doctrine.

It is hoped that my thoughts from an aid officer at a small private progressive southern school are welcome.

Thank you.

Very truly yours,

NEIL DIEZ, *Financial Aid Officer.*

KALAMAZOO COLLEGE,
Kalamazoo, Mich., March 20, 1975.

Congressman JAMES G. O'HARA,
Chairman, House Subcommittee on Post Secondary Education, Rayburn House Office Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: I just learned that you recently introduced "The Student Financial Aid Act of 1975" (HR 34.71) to amend "Title IV of the Higher Education Act of 1965." I would appreciate very much being sent a copy of your bill.

Generally, I also wish to voice my enthusiastic support for the concept of increased federal support of *off-campus* work-study programs. While Kalamazoo College has used a portion of its work-study funds for off-campus programs in the past, it has been unable to do so that last three years.

An increase in overall work-study funding or the placing of a premium on off-campus work-study situations would be of considerable benefit to many of our students here in the Career Service Program. We know of many employers able to pay $150 to $200 to hire a student for a quarter, but unable to support all of a student's expenses let alone pay enough to help the student pay his next quarter's tuition.

Sincerely,

H. THOMAS FRANCIS,
Assistant Director, Career Services.

EASTERN MICHIGAN UNIVERSITY,
Ypsilanti, Mich., March 20, 1975.

Hon. JAMES G. O'HARA,
Chairman, Special Subcommittee on Education, House of Representatives, Cannon House Office Building, Washington, D.C.

DEAR MR. O'HARA: Congratulations on your recently introduced Student Aid Bill. I read, with particular enthusiasm, the portion concerning the increased financing for the Work-Study Program and the relaxing of the explicit need requirement for students to qualify for the program.

For ten years I have worked with the Work-Study program; and it is my opinion that no other aid program can match the benefits provided by this student support program. Not only do the students earn educational expenses, they provide assistance to others which would not otherwise be available, they supplement text book learning with on-the-job experience which makes learning meaningful, and they build a record of work experience which proves them desirable candidates for career placement upon graduation.

The relaxing of the need requirement, will assuredly mean more work for our small already over worked staff; but we welcome the opportunity to serve more students, especially those who previously have shown such great need but could not qualify. Having Work-Study available to more students will be most helpful to Michigan college students next year since budgets for the State supported schools are expected to be low and increases in tuition and housing costs are being proposed.

I have followed closely your work with the Education Subcommittee and I am looking forward to hearing your presentation at Southern Illinois University this summer.

Best wishes for continued success.

Sincerely,

MRS. RUTH F. BURSON,
Student Employment.

EXECUTIVE OFFICE OF EDUCATIONAL AFFAIRS,
Boston, Mass., March 20, 1975.

Hon. JAMES G. O'HARA,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: On behalf of the Commonwealth of Massachusetts, I would like to offer comments pertaining to your proposed amendments of the Work Programs Section, Title IV, of the Higher Education Act of 1965.

(1) The proposed elimination of the need analysis for the distribution of funds will take the College Work-Study Funds out of the hands of the students who are most in need.

In Massachusetts it is a fact that some students who have qualified for financial aid are not provided with enough support to continue their education due to the limited availability of funds. I, of course, am encouraged by your efforts to increase the size of the Work-Study appropriation. But the inclusion of all students who aproach the colleges on a first-come, first-served basis will overextend whatever increase that is able to be won in these hard times.

I would therefore urge the continuation of the need analysis so that those students who are most in need of the funds are assured of the priority they merit.

(II) I have grave concerns about the provision of federal funds for the Job Creation Program. In practical terms, who is to say which jobs were "created"? In a state such as Massachusetts, where some 116 colleges and universities already compete in many spheres, the provision of these administrative funds to each college encourages duplication and the confusion of employers.

If this program is to be successful, it must establish clear criteria which define the act of "job creation", and it must approach this task on a collaborative, regionalized basis.

I would therefore suggest that Section 447 be changed to include provisions for entering into agreements with "eligible institutions or other appropriate non-profit job clearinghouses" (Page 85, line 13). Further, I doubt that the 1% administrative allowance will be sufficient to do the job. I would recommend a 5% allowance (Page 86, line 9).

I am hopeful that you will consider these points and revise your amendments.

Sincerely,

PAUL PARKS, *Secretary of Education.*

HAMPTON, VA., *March 27, 1975.*

Hon. JAMES O'HARA,
Subcommittee on Postsecondary Education of The House Committee on Education and Labor, Rayburn Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: I recently attended a meeting in New York City sponsored by the Urban Corps National Association. Included among the topics on the agenda was a discussion on pending Work Study legislation, namely H.R. 3471.

The Association was in support of the Bill and its provisions relative to Student Financial Aid. Sections 445 and 447 of the Bill were particularly of interest. We do believe, however, that certain modifications need to be introduced to Section 447 to provide it with the full impact it was intended to have. The following modifications were highly endorsed by the Association.

1. The one per centum limitation on estimated wage cost should be increased to encourage post secondary institutions to approach the job creation program with a serious attitude.

2. Public and private non-profit agencies, as well as eligible institutions, should be authorized to enter into agreements for grants.

We feel that Urban Corps across the country are already prepared to perform the Job Creation function, and with minimum cost and maximum effectiveness. Thus, to establish new administrative stations on numerous college campuses could prove to be wasteful in many cases.

We sincerely hope that these two recommendations will be taken seriously into consideration by the Committee as their presence in this legislation would mean a great deal to our programs and to our constituents. We would appreciate anything you can do to insure that our opinions are heard.

Sincerely,

WENDELL F. BRAXTON, *Assistant Director.*

APRIL 1, 1975.

Hon. JAMES G. O'HARA,
Chairman, Special Subcommittee on Education, House Education and Labor Committee, Washington, D.C.

DEAR CONGRESSMAN O'HARA: Last May I wrote you about a change in the wording of the legislation on Title IV D Cooperative Education. Later I received a copy of the printed report on the hearings before your Committee during May, 1974, which I have read with great interest and considerable care. The testimonies and reported research on College Work Study and Cooperative Education highlight recommendations with which I heartily concur.

As one who has devoted a major portion of his professional life to cooperative education and who now serves as a consultant to some thirty colleges and universities in developing programs of cooperative education having interconnections with college work study, I am taking the liberty of outlining the recom-

mendations taken from the aforementioned hearings which seem to me most significant and which are supported by the testimonies.

I understand your Subcommittee will be proceeding with further deliberation and final recommendations, so I am hopeful that this summary may be useful to you. If I can be of further assistance to the work of your Committee, please feel free to call on me.

Sincerely,

J. Dudley Dawson,
Consultant on Cooperative Education.

Enclosures.

Recommended Changes in the Pending Legislation and Administration on College Work-Study and Cooperative Education

Selected from the recommendations at the Hearings before the House Special Subcommittee on Education during May, 1974, which, in the view of the writer, are most significant:

COLLEGE WORK-STUDY

I. Changes in legislation

1. Substantial increase in C-W-S appropriation because of large gap between student needs and funds available.

(a) Modification in need restriction so that a larger number of middle income students can qualify for C-W-S.

(b) Increase of C-W-S funding will lessen the pressure for loans which places an excessive burden on middle and low income students.

2. Modification of basis for distributing C-W-S funds from State to National level so that each institution receive the same proportion of approved funding as every other—to eliminate the serious discrepancies now occurring in funding between individual institutional needs.

II. Changes in administration

1. More focused attention on placements and counseling of C-W-S students to improve educational value of job experiences.

(a) More off-campus placement—at least 50% if possible.

(b) Combine C-W-S placement with cooperative education operation in institutions that have such programs.

(1) In the many institutions where college credit can be earned for evaluated cooperative education experience, C-W-S placements under the cooperative plan would be eligible for college credit.

Note: **There seems to be an in-house (USOE) rule that students cannot receive college credit for a C-W-S job *on campus*. This regulation should be eliminated. The question of college credit depends on the nature of the job and its educational utilization—not on whether it is on campus or off campus.**

(c) Extend the practice of summer vacation C-W-S placements to other periods of the year. This would allow some of the C-W-S summer placements to be moved to other quarters or semesters of the year thus relieving the pressure of summer placements and accommodating employers at other times of the year.

(d) Remove the ceiling on the amount of hours a C-W-S student can work each week, and on the total amount that can be earned during a full-time work period or during an academic year.

(e) Give institutions optimum freedom in the distribution of student aid funds between C-W-S, BOEG and Loans.

(1) To make possible the maximum use of C-W-S funds which, as an excellent form of student aid, offers significant educational as well as economic benefits.

COOPERATIVE EDUCATION

I. Change in wording of legislation

The following (italicized) change of wording in Section 451(a) in Title IV D of the Higher Education Act is recommended:

Sec. 451(a) There are authorized * * * *of programs that are designed to combine periods of work experience with periods of academic study as an integral part of the student's education. Such work experience with public and private agencies will not only enhance the student's educational and career development but will also afford many students the opportunity to earn funds to finance their education,* * * * this title

The above suggested change removes the limitation of Federal support to programs "that alternate periods of full-time study with periods of full-time public and private employment" so that the equally valid *parallel plan* of cooperative education may also be supported. In addition to providing needed flexibility in the scheduling of study and work periods this change also strengthens the definition of cooperative *education as an integral part* of the student's educational program.

UNIVERSITY OF CINCINNATI,
Cincinnati, Ohio, April 9, 1975.

Hon. JAMES G. O'HARA,
Chairman, Special Subcommittee on Education, Rayburn Office Building,
Washington, D.C.

DEAR CHAIRMAN O'HARA: At a recent meeting I became aware of your strong committee to the type of education which is represented by the Work-Study and Cooperative Programs in this country. My own department has been very concerned about this approach and I wonder whether you might have any materials describing the directions in which you are hoping to move. I would appreciate it if you could send us some copies of such materials.

Our own concern has been with the attitude towards foreign languages and cultures among the majority of the people. Much as we appreciate languages and literatures as a part of a liberal arts education and as a means for philosophical, psychological, and also sociological understanding of human beings in various ages, we also consider language and area studies as a practical skill for practical professional communication. And while the discussion about the value of a liberal arts background for any profession may continue for a while, we would like to remind people of the fact that the judgment about the value of language study does not depend on the outcome of that discussion. After all, we are confronted with the necessity of having to communicate on political or economic problems with members of other nations every day right now and we can certainly communicate much better if we try to understand our partners' way of thinking and living. This is expressed in language and in attitudes which can be studied together with the language.

It is for these reasons that we instituted a Work-Study Program for language students from anywhere in the United States nine years ago, which takes the students to Germany and puts them into a career-related work-situation there. For the same reasons we also hope to begin a Cooperative Program for language students, similar to the programs for engineers and business students, in this country. Our university has established an International Business Option for students from Business Administration of Foreign Languages. These students will, of course, be best prepared for cooperative or work-study situations involving languages. It is hard to think of these programs at this moment of economic difficulties, but we have convinced enough people of the importance of our approach that we hope to continue with their help.

We would certainly welcome any steps which your committee may take to strengthen the Work-Study and Cooperative Programs in the country. We hope that your committee can include an international dimension for these programs and give some support to an expansion abroad. American firms with branches abroad and some foreign firms would be happy to contribute to the training of young people with a multi-cultural understanding based on a practical work-experience.

Sincerely,

HELGA SLESSAREV, *Head.*

OFFICE OF THE MAYOR,
New York, N.Y., April 22, 1975.

Congressman JAMES G. O'HARA,
Chairman, House Subcommittee on Post-Secondary Education,
Cannon Building,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: I am writing in support of HR 3471, to add further testimony to that given by Charles Bayer of the National Urban Corps Association during your Subcommittees final round of public hearings held last week.

Now in its tenth year, the New York City Urban Corps has institutionalized itself as the largest student involvement program in our nation. The program was originally conceived as a means of bringing our City and our universities closer together, it now acts as a beacon for thirty-five other local Urban Corps accomplishing that task throughout our country.

Operating as one of the most creative utilizations of the Federal College Work-Study Program, the New York City Urban Corps, since 1966, has provided over 25,000 college students with the opportunity to participate first hand in dealing with the problems and the needs of the people of New York City.

Its first year saw only a few hundred student interns in the program. They had to combat skepticism in the bureaucracy and among public administration theorists; it was doubted whether students could fill roles in government which would be productive enough to justify costs of training and reorganization. As their freshness and energy and seriousness took hold, however the interns quickly earned the respect of civil servants and critics alike—and the acceptance of the Urban Corps idea began to spread; not only in New York City government but to other cities and jurisdictions.

These students have performed vitally needed tasks in areas as diverse as child care, air pollution control, drug abuse prevention, remedial education and laboratory work. They have carried out sophisticated and demanding work enabling our city agencies and departments to meet urgent widespread needs, and they have helped expand city services to more effectively reach into each community.

The Urban Corps is also a uniquely effective device for encouraging talented and motivated young people to choose a career in the public service, and a growing number of our newest City employees are alumni of the New York City Urban Corps.

Not only have these young people provided a valuable service to New York City, but they also receive an educational experience uniquely complimentary to their classroom activities. They are able to test out classroom theory in harsh terms of the real world, and they return to their course work with a renewed and sharpened interest in finding solutions to our most pressing municipal problems. This internship experience has made them more knowledgeable and therefore more aware and effective as citizens.

The funding source for the Urban Corps is largely derived through the Federal College Work-Study Program, which pays 80% of each intern's salary, with monies allocated by H.E.W. Office of Education directly to the New York City Urban Corps 170 constituent colleges and universities. The City of New York matches 20% of the intern's salary in each case.

There are many ways to test the effectiveness of the Urban Corps program in New York City. Ultimately the successful development of the Urban Corps can be determined by the benefits that accrue to the City by the work performed by such interns. While not computing the educational value of a student internship, a cost-benefit study of Urban Corps students within New York City government was undertaken in late 1973.

A simple research model, using the following questions, was used:

(a) What project/task was accomplished for your agency by the interns assigned to work at your agency last summer?

(b) At what rate of pay would each supervisor have had to pay an individual to perform the same duties actually performed by his or her Urban Corps summer intern?

Our research was conducted on a sample group of 978 interns, one-third of our total summer program size. Although the values placed on our interns covered a wide swing, and our sample agencies which employed the students covered a wide area, on the average, an Urban Corps student for his 12 weeks of full-time saved the City of New York $1.160 in personnel costs. Expanding on this figure the approximately three thousand students who made up the 1973 Summer Urban Corps program saved the City almost $3,500,000.

Other tests have been used to measure the success of the New York City Urban Corps. For instance, a recent survey of Agency Coordinators showed that 88% said their agencies benefitted from the work performed by Urban Corps interns, while 43% said agency operations were curtailed because of a reduction in the number of Urban Corps students in the program, due to reduced work/study allocations made to schools which contract with the Urban Corps.

Another survey undertaken late in 1973 shows some interesting figures. Questionnaires were sent to 2,500 students who had participated in the Summer Urban Corps program, with 858 returned as complete. While 88% said an important reason for their choosing the Urban Corps was to earn money, a higher figure, 92%, said they joined the Urban Corps to gain valuable work experience. 81% said they participated to test future career plans and 71% said they joined the Urban Corps to serve their communities. More importantly perhaps, the students learned much about their government. Before working for the Urban Corps 85% characterized government as "inefficient" and "not open to new ideas". After working, this percentage was reversed with 78% feeling that government was "efficient" and "open to new ideas".

Another survey was undertaken a few months ago using randomly selected students who participated in the Urban Corps 1970 Summer program. Returns showed that while these students were scattered throughout the world, one-half of those working had chosen careers in the public sector.

In answer to the following question "Did your Urban Corps experience influence your career choice in any way?", a number of interesting responses were received. Besides the student who wrote that her Urban Corps assignment was definitely worthwhile ". . . that's where I met my fiance", an ex-Urban Corps student who works for New York State wrote "My Urban Corps assignment showed me working for the government can be a rewarding and meaningful experience." A Bronx Public School Teacher wrote that her Urban Corps assignment "gave me much needed experience working with children and reinforced my decision to become a teacher." An Assistant Deputy Public Defender wrote that his Urban Corps experience provided me with a first hand experience of the criminal justice system. While working in the courts as a student, I learned the strengths and weaknesses of the legal system, and decided to stay with criminal law as a career." An ex-Urban Corps student wrote, "I was assigned by the Urban Corps to Elmhurst Hospital by chance. I had never worked in a hospital before, and because of my class background had not really considered medicine as a cereer. After my Urban Corps experience, I decided to become a doctor. I will graduate from medical school in 1976."

While the Urban Corps has been successful in New York City, it is definitely not a phenomenon which effects only big Cities. A letter recently received from Martin Vanacour, the Assistant City Manager of Glendale, Arizona, population 70,000 gives evidence to this fact. Mr. Vanacour writes,

> Our city has employed Urban Corps students for almost five years and believes these students are a real asset to our organization. Urban Corps students supplement our staff for special projects, and contribute innovative ideas. Most young people probable see themselves as agents of change and rightly so. A fresh approach and interchange from their vantage point is very interesting.
>
> The Urban Corps students we utilize see first hand City Council interaction, management philosophies, personnel practices, with all their ramifications, and general administration in their respective departments. * * *
>
> Urban Corps experience is helpful to the cities and beneficial to the student. Students should take advantage of the opportunity to work for a smaller city.

Whatever, the survey or the quote, the Federal College Work Study Program has provided an opportunity unique in higher education and Urban management. We encourage its continuation and expansion.

Sincerely,

JESS SHAPIRO, *Assistant Director.*

DREXEL HOME, INC.,
Chicago, Ill., April 25, 1975.

Congressman JAMES G. O'HARA,
Chairman, Subcommittee on Post-Secondary Education of The House Committee on Education and Labor, Cannon House Office Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: This letter is being written in support of H.R. Bill 3471 on Student Financial Aid which is now pending with the sub-committee.

Our non-profit Home for the Aged has been a receiving facility for work study students through the Chicago Urban Corps for approximately four years. These young people perform functions and tasks that are an "enrichment" to the daily lives of the old, old people we serve here. It is most gratifying for all residents to be exposed to young college students on a day to day basis. Basically the program helps the students complete a college education through work study earnings, which otherwise would not be possible.

The Chicago Urban Corps performs a valued service for both the receiving institution (employer or students) and for the sending colleges in counseling in advance of placement, screening and final follow-up and evaluation after placement. Without the work study program, we could not afford these students, as we operate under a deficit budget which is subsidized by voluntary community dollars.

We urge your support of H.R. 3471 to the utmost.

Sincerely yours,

BERNARD S. POMERANTZ, *Executive Director.*

NATIONAL COMMISSION FOR COOPERATIVE EDUCATION,
Boston, Mass., May 9, 1975.

Hon. JAMES G. O'HARA,
U.S. House of Representatives, Cannon Office Building, Washington, D.C.

DEAR MR. O'HARA: In response to a request for a statement on the contents of H.R. 3471 as related to cooperative education, I am writing to you on behalf of the National Commission for Cooperative Education, the Cooperative Association, and the Cooperative Education Division of the American Society for Engineering Education. These are organizations and associations of colleges both with ongoing cooperative education programs or those planning to adopt such programs. Their combined membership is in excess of 2,000 and represents 46 states.

Enclosed is a short paper outlining our recommendations concerning H.R. 3471, Title IV-D, and the future direction we foresee for cooperative education.

I would like to take this opportunity to say how much we appreciate your strong commitment to and support of cooperative education. Without many able people reaching an understanding such as you have, cooperative education would not have reached the position it currently holds.

I would like to take this opportunity to say how much we appreciate your strong commitment to and support of cooperative education. Without many able people reaching an understanding such as you have, cooperative education would not have reached the position it currently holds.

If you have any questions concerning the recommendations made in this paper or on any other aspect of cooperative education, please do not hesitate to contact me.

Sincerely yours,

ROY L. WOOLDRIDGE,
Executive Director.

Enclosure.

OPINIONS ON TITLE IV-D OF HR 3471 AS AGREED UPON BY THE ELECTED LEADERSHIP OF THE COOPERATIVE EDUCATION ASSOCIATION, THE COOPERATIVE EDUCATION DIVISION OF THE AMERICAN SOCIETY FOR ENGINEERING EDUCATION, AND THE NATIONAL COMMISSION FOR COOPERATIVE EDUCATION

GENERAL OBSERVATIONS

Favorable Congressional action pertaining to Title IV-D is crucial because of the following developments:

1. As a result of the Federal Government's past commitment to cooperative education, there are now approximately 900 colleges, universities, and community colleges offering or planning to offer a cooperative education curriculum. The demonstrable value of college work-study cooperative education has prompted more and more institutions of higher learning to seek Federal funding under Title IV-D of the Higher Education Act for the purpose of starting cooperative programs or to strengthen existing programs. Our information is that requests from 710 colleges and universities aggregating $32,000,000 have been presented to the Office of Education for current funding, and these can hardly be satisfied by the existing authorization of $10,750,000.

2. Educators throughout the country believe that this form of higher education is particularly relevant to the solution of both the financial and substantive crises in higher education. They want to adopt cooperative education because:

(*a*) it makes possible, without new investment, multiple use of capital facilities;

(*b*) it makes possible a stronger base of tuition support since students in such programs earn money in their work blocks, often sufficient to meet full tuition requirements; and

(*c*) it affirms by demonstration that they do have a place in the system by providing students with actual work-for-wages in real life situations.

The evidence is quite clear and substantial that students in cooperative programs, through their actual work experiences, know that their career expectations are fulfillable. Young Americans need more of this kind of faith in the future, and certainly more fidelity to our economic system if that system is to be reinforced and maintained.

3. There is tremendous enthusiasm for cooperative education in American families. As evidence of this, the National Commission for Cooperative Education receives 30,000 inquiries annually from parents seeking information as to how and where their sons and daughters can enroll in college work-study cooperative programs.

4. Despite the high level of unemployment in the United States, trade union leaders fully support the expansion of cooperative programs. They see the pragmatic content as a good form of education. More importantly; they see cooperative education as the means through which the sons and daughters of union members can go forward in higher education. Their attitude has been expressed by Mr. I. W. Abel of the United Steelworkers of America and Mr. Carroll Hutton, Director of Education for the United Auto Workers.

5. Disadvantaged families, particularly among minorities, need cooperative education for their families. It is the only way that poor youth can go to college and earn money to help pay the cost of their education without placing a strain on the family income. It is important to know, and this is said in no derogatory way, that families on the poverty level with little or no acculturation, place a higher value on work than learning, and when their children can both work for money and learn at the same time, parental opposition to going to college is diminished.

6. President Ford, Commissioner Bell, and other spokesmen of the Administration have been calling upon the leaders in education, labor, and industry to form a partnership to bring about a rededication to our inherited work ethic. In his Ohio State speech on August 30, 1974, the President called upon these leaders to include work content in the total educational process. From countless personal experiences, it is evident that the President was in fact echoing, or at least responding to, a general attitude throughout the country. Significantly, the assumption has become widespread that the government has fully endorsed cooperative education, wants it generally adopted, and will aid its growth. It should be noted that the college cooperative model is the means through which the partnership of academia, labor, and industry is already a working partnership.

7. As a result of the above conditions, we now have a large number of new requirements:

(*a*) college administrators must be helped to implement the change from the inherited traditional form of education to the work-study cooperative model;

(*b*) college coordinators—the professionals responsible for the job placement of students—must be trained and taught "how-to-do-it;"

(*c*) high school guidance counselors must be educated so they can direct graduating students into cooperative education programs; and,

(*d*) regional activities must be formally set up to create greater participation of the private sector in the cooperative college program. One objective to be met is the creation of regional "job banks" for college students.

SPECIFIC RECOMMENDATIONS

Section 451(a) Authorizing Appropriation

We recommend a maximum authorization to be $25,000,000 rather than $10,750,000 to be reached in four stages: $10,000,000 for the year ending September 30, 1976; $15,000,000 for the year ending September 30, 1977; $20,000,000 for the year ending September 30, 1978; and, $25,000,000 for each succeeding fiscal year ending prior to September 30, 1980.

There are several reasons for this recommendation:

1. Cooperative education recently and suddenly has found its time and moved out of its partial limbo into a major role on the national educational scene. This appraisal was set forth by Mr. Edward Booher, president of McGraw-Hill, Inc., April 2, 1974, in his keynote address before the New York Employers' Institute on Cooperative Education. Sharing the same view is Dr. Harold Enarson, President of Ohio State University, who told the House Higher Education Committee last May that cooperative education is coming to the fore, "because of a combination of forces that have only recently both emerged and begun to come together."

The former president of General Motors, Mr. Edward N. Cole, who himself is a product of the cooperative education program at the General Motors Institute, presented a powerful and imaginative statement of recommendations for congressional action to make greater use of cooperative education possibilities. Mr. Cole testified in May 1974, that "Cooperative education is responsible. It is accountable. Its performance has facilitated rather than impeded educational purposes. Clearly on the basis of what it already has contributed and achieved in the field of higher education, cooperative education is one of our best bargains in return for money spent. It is ready and capable of a new era of expansion and service to the Nation."

2. With the purpose of strengthening this legislation, the Special Subcommittee on Education of the House Education and Labor Committee recently held lengthy hearings to secure information and judgment about cooperative education. Testimony has been secured from individuals with widely diverse backgrounds. Official representatives of the U.S. Chamber of Commerce and the AFL–CIO have all recommended and urged development of cooperative education. Dr. Harold Enarson, Dr. Dewey Barich, Congressman Sam Gibbons, and Mr. Edward Cole are among those who have urged, in their testimony, a substantial increase in Congressional appropriations for the expansion of cooperative education. In fact, it is noteworthy that the witnesses appearing before the House Special Subcommittee have been unanimous in recommending increased support for strengthening programs of cooperative education in institutions of higher education.

3. On May 21, 1974, Mr. Richard Holden represented the Office of Education in testimony before the House Special Subcommittee on Education and summed up OE's position as follows:

> It may well be that cooperative education offers more return on the investment than any other educational program. It could well be the major breakthrough of the 1970's for students, for faculty involvement, and for employers.

4. Of 580 applications received in 1973 requesting approximately $25,000,000, the Office of Education did *not* fund 230 of them. In 1974, the Office of Education received 645 applications for cooperative education grants, requesting $28,000,000, and 371 were awarded totalling $10,750,000. The Office of Education did not fund 274 of the applications. In 1975, 710 applications were received by the Office of Education requesting $32,000,000 for grants for cooperative education. Obviously, a considerable amount of these requests will not be funded.

Section 451(a) Requirements for Qualification

With regard to the requirements for a cooperative program to qualify for Federal funding, the National Commission for Cooperative Education and the Cooperative Education Association suggest that the words "full time" which appear before "academic study" and before "public or private employment" be dropped.

There are two reasons for this recommendation:

1. It is time to recognize that the parallel programs are indeed a true form of cooperative education. Although they do not fit the restrictions of the traditional definition of cooperative education, these programs serve a useful purpose for their students and should be considered cooperative education and eligible for Federal funding. Therefore, it seems appropriate that the definition of cooperative education should be changed to meet changing needs. These programs are rapidly growing in Florida, California, and Indiana and should merit Federal funding.

2. The new phrase in section 453 ". . . such as concurrent part-time work and part-time study" is not sufficient. This only allows for funding from the research

and training funds which at present are not even adequate. It also relegates parallel programs to the category of being experimental, and they are too well developed to be so considered.

The Cooperative Education Division of the American Society for Engineering Education does not join in this recommendation since the majority of this members are from the older, well established engineering cooperative schools, and they still regard the parallel system as experimental and are satisfied with the wording of H.R. 3471 as presently stated.

Section 451(a) Authorizing Appropriation for Training and Research

If the concept of a graduted increase in funds for cooperative education to $25 million is acceptable, then we suggest the following schedule for the amount that should be made available for training and research:

(*a*) $750,000 for the fiscal year ending September 30, 1976

(*b*) $1.5 million for the fiscal year ending September 30, 1977

(*c*) $2.5 million for the fiscal year ending September 30, 1978

(*d*) $3 million for the succeeding fiscal years prior to ending September 30, 1980

There are two reasons for this recommendation:

1. The rapid expansion of cooperative education has created a very large demand for coordinators to staff the new programs. It is apparent that many of those taking these positions are without the background and training to administer a cooperative education program. Attention needs to be given to the Office of Education's role in assuring more effective and sophisticated training programs and workshops for coordinators. There is also a requirement for improving the professionalism of present coordinators by increasing efforts to have workshops and forums which improve the skills of coordinators in the field.

The present funding of $750,000 is inadequate. This year's demand exceeded $3 million for training of coordinators and for basic research in the field. In order to improve cooperative education programs, and to provide information programs necessary to reach high school counselors, students, parents, and employers, more effort must be expended. It requires funding at a minimum of $3 million to enable a sufficient number of institutions of higher education to develop training and research programs of excellence which in turn would assure better cooperative education programs.

Section 452(a) Grants for Programs of Cooperative Education

We recommend that $150,000, rather than $350,000, be the maximum possible grant to an institution, and that this same figure, rather than $500,000, be used for each participating institution in a consortium arrangement.

There are two reasons for this recommendation:

1. It is a wise decision to give large grants to fewer institutions, but $350,000 is more than is needed at any given time to effectively implement or strengthen a program. Grants of this size would commit too much of the total amount to one institution.

2. An institution in a consortium does not have needs greater than an individual institution applying for Federal funds on its own, and therefore, also should be limited to the $150,000 amount.

Section 452(c) Time Limits on Grants

We recommend that grants be given for five years rather than the present three year limitation. This extension, of course, would be contingent upon an increase in awards recommended in Section 451(a).

There are several reasons for this recommendation:

1. The basic testimony in the Congressional hearings of 1964–68 that established the existing legislation includes a number of statements by educators that an institution needs a one-year planning grant to inaugurate a cooperative education program, and then four years of Federal support to provide the span of time for this "seed money" to create a solid self-supporting and significant cooperative education program. Experience thus far has confirmed the validity of this testimony. Educational administrators and faculty do begin to recommend budget support for the cooperative program after they have had time and opportunity to become acquainted with the advantages of cooperative education for their students and their institutions.

2. For some state institutions operating on a biennium budget, the three-year period does not provide sufficient time to adopt the policy of gradually approving

increasing funding for cooperative education in time to bridge the gap between the end of Federal support and the beginning of state support.

3. The three-year limitation has had the unfortunate effect of creating job instability in regard to coordinators' positions, with an adverse effect on the attractiveness of these positions to individuals with outstanding qualities and backgrounds of relevant experience for coordinator posts.

Section 452(d) Criteria for Approval of Applications

Although we do not have specific recommendations for changes, we do offer the following comments on this section. It is our hope that Item 1 will not lead to administrative guidelines that would be detrimental to the development of liberal arts cooperative education programs. It is important to bear in mind that students participate in a cooperative education program for one or a combination of several of the following reasons:

1. Some students have a clear idea of their future career objectives; and cooperative education is used purely for direct training purposes. This would be most applicable to engineering business, and nursing students.
2. Some students are looking to probe into several different career areas. They may have a general idea of what they are interested in and use their cooperative work periods to investigate these possibilities further.
3. Some students, particularly the liberal arts students, are seeking ways of broadening their life experiences. They may neither seek nor desire direct career-related jobs, but each experience adds enrichment to their total education.
4. Some students are in great need of financial assistance and cooperative education offers them a possibility of obtaining a college education that might otherwise be out of the question.

With respect to Item 2, we are in agreement with the call for a serious commitment from the institution of higher education. Perhaps this commitment could be more readily assured if Federal funding were made available on a decreasing basis to each institution over the eligible years, thus forcing an increasing financial commitment by the institution as part of its funding proposal.

D. COMMENTS ON THE LOAN PROGRAMS (GUARANTEED STUDENT LOAN PROGRAM/FEDERALLY INSURED STUDENT LOAN PROGRAM AND THE NATIONAL DIRECT STUDENT LOAN PROGRAM).

ELKINS INSTITUTE,
Dallas, Tex., February 7, 1975.

Hon. DALE MILFORD,
Congress of the United States,
Grand Prairie, Tex.

DEAR CONGRESSMAN MILFORD: Enclosed is a letter that I received from the HEW relative to the funding system we are using for federally issued student loans. Also enclosed are copies of a letter from Mr. Kohl to our bank, my original answer, and a letter which I requested from Mr. Kohl by telephone. Although this situation concerns me for the benefit of my own company, I am even more concerned for the state of affairs under the Federally Insured Student Loan Program.

The Federally Insured Student Loan Program is now approaching a $7 billion program. Default rates are extremely high and the entire program has been fraught with problems since its inception. Instead of attacking the real problems, the Department of Health, Education and Walfare has continued "nit-picked" items such as the long distance lending program as is discussed in the enclosed letters.

To begin with, the Office of Education does not have the authority to decide which students do and which students do not get federally insured student loans. Legislation provides that any student who is enrolled in good standing at an accredited institution on at least a half-time basis and is a citizen of the United States may be eligible for the loan. It also provides that the bank or lender, whoever that may be, will make the decision as to whether or not to make one of these loans. Since there is no provision for direct control, the HEW continually tries to regulate by innuendo as opposed to specifics. This is where the real problem begins. One of the primary purposes of the loan was to qualify students who were unable to obtain credit due to their age, background, and lack of borrowing history to borrow money to further their education. This, in turn, would take the strain off the Government for grants and loan money and only the problems relative to paying the guarantee would remain. However, since the current default rate is high, the HEW continually claims that banks did not use due diligence in making the loans (the whole purpose of the guarantee is to provide credit for people who otherwise could not obtain credit) or did not use due diligence in collecting the loan. The HEW has never provided specifics relative to defining due diligence. Hence banks and other lenders simply shy away from the loan because of its low yield, its high administrative expense, and the problems relative to whether or not the guarantee is really a guarantee.

The HEW has continually claimed that these loans should be made by banks "for the good of the country" and should not be looked upon as "money making" loans. They refuse to accept the fact that their regulations, and moreover their innuendos alluding to what may be interpreted from the regulations, cause the administrative costs to be three and four times as high as the administrative costs on other loans. The bank cannot have a known interest rate going into the loan since the only thing the HEW will guarantee is a 7% yield. The maximum a bank could expect would be 10% which in recent history would be far below the necessary yield, especially considering the high administrative cost. The method of picking the interest rate between 7 and 10% has been admittedly a "dart throw". Banks simply do not make loans based on "guesstimates" of future interest.

The innuendos and veiled threats relative to the guarantees have continued to decrease the number of outlets for federally insured loans and have left the loan with absolutely no credibility from lending institutions. The only institutions that will make these loans are those that do it under pressure. The pressure may be from individuals who have large accounts at the bank (hence the student doesn't need the loan any way) or the pressure may be from the school itself. Laws are written which prohibit points, premiums, or other incentives to be given to the bank (by the school) for making such loans. Since the HEW knows that, in fact, these loans do have an unpalatable yield, banks that do make the loans are automatically suspect. The only way a bank could make money out of this type of loan is to do it in mass volume so that they can have specialists who develop procedures to a fine science. Yet when this is done, the HEW accuses the schools and banks of having an "arrangement" which is automatically insinuating that they are not following regulations, even though all business done anywhere in the United States at any time is by "arrangement".

If, in fact, it is the Government's intention to eliminate the federally insured loan, I think it would be well that the Government forewarn those who may desire to participate in this program. If, in fact, it is the Government's wish to make the loan a credit loan, when why not remove the guarantee anyway? Students who have credit could get the loan to begin with. The original act was passed knowing that defaults would occur. These defaults were theoretically to be considered the same as a grant for those students who could not make the payments. If, in fact, the defaults were not to be grants, then strict rules for collection should be proposed for legislative action. The banks and other lending institutions should not be told on the one hand that they are to help the country by helping educate its youth, and on the other hand if they do they run the risk of having their guarantee revoked because of lack of "due diligence".

If the Government truly wants to collect the past due defaults, it could do so through the Internal Revenue Service, or the Social Security System. Both of these entities provide vehicles wherein students who default for a valid reason (did not get what they paid for and were not capable of upgrading their income level) would pay back the default anyway but over a much longer period than students who defaulted simply because they knew they could bilk the Government that way. Answers to why this couldn't be done have ranged anywhere from "Are you kidding, two agencies of the U.S. Government work together" to the IRS saying "There is no room on our forms to provide collection data". With several billion dollars at stake, I cannot understand the Internal Revenue Service refusing to reprint its forms (no matter what it costs) if this simple revision is all that is necessary to accomplish the task.

As you can see from the enclosed letters, we participate in this program in a relatively small way. One of our competitors has used up to $320 million worth of federally insured loans. The school and others have in effect carried their own guarantee and have not submitted some of their paper in order to keep good relations with the Government and with the banks. However, due to the fact that the HEW continually cuts off each lending source by one vehicle or another, the cash flow for all schools, whether they be proprietary or university level, is going down. This has the three-fold effect of (1) eliminating a number of educational institutions when, in fact, we need more educational institutions, (2) causing those institutions who are left to be so tight on money that they cannot afford to provide a quality education, and (3) just as important, the threat of massive defaults in the range of hundreds of millions of dollars to be returned to the Government for self preservation of schools involved.

I have served as a Consultant to the Commissioner of Education on the Federally Insured Loan Program for the past year. One of our Board members also served as one of seven Consultants to the Commissioner of Education on federally insured loans for the past year and currently serves on the Advisory Council of Financial Aid to Students of the Office of Education. Our Financial Aid Officer serves on many state, regional and national financial aid advisory committees. Yet the HEW continually admits "Yep, we got a problem" but doesn't do anything about it while the "problem" that they are relating to grows by more than a billion dollars per year.

There are several very simple things that would make the program work. They are as follows:

1. Increase the interest rate of the loan to entice lending institutions to consider this a favorable alternative, and make the interest fluctuate with the times on an established formula compatible with the banking industry so that banks would not have to guess at their future liquidity.
2. Insert the federally insured loan in the capital adequacy section of the banking laws so that these laws would benefit the banks.
3. Provide strict guidelines for servicing procedures and make them to conform to normal bank and installment loan procedures.
4. Set up a system wherein the student pays interest or at least small principle payments while in school and immediately thereafter so that he cannot later claim that he thought the Government was giving him a grant. This would also give the bank a record of the student's payment habits and an opportunity to work with him before he gets out of school. The bank would have no more than one month lag time before discovering that a student has changed his address. Under present regulations contract with the student is difficult to maintain since his non-payment status spans the length of time he is in school in addition to nine months thereafter.
5. Negotiate an arrangement with IRS or Social Security System which would be retroactive and thus eventually collect all claims turned in by the banks.
6. Pay claims immediately upon verification of meeting the due diligence requirements as specifically outlined.

The above would eliminate the need for any school to make arrangements with lending institutions and would remove the mountains of claims. It would also furnish an easy method of financing education for the country's youth, as well as those who need retraining. Education cannot be used as collateral and most educational institutions are inherently poorly financed. Thus, the availability of funds for student financing is the only way to make sure that educational institutions themselves survive without more and more federal assistance.

The above data is important to me both as a business man and as a citizen of the United States interested in fairness to our taxpayers and education of our youth. I will be glad to meet with you and talk about alternatives and work with you in any way possible to get the proper changes made. It is important to our country from a financial viewpoint, as well as an educational viewpoint.

Yours very truly,

B. B. Elkins, *President.*

Harlowton, Mont., *February 10, 1975.*

Congressman John Melcher,
Washington, D.C.

Dear Mr. Melcher: We have had only one previous occasion to write to you, but you handled that one occasion rather well so I feel that you may want to explore the following problem.

I am sure you are familiar with the student loan program set up by the United States Government to assist college students. Under this program, local banks loan the money but the loan is guaranteed by U.S. Government. It is a good program and certainly involves no risk for local banks.

However, in talking to several young Montanans of college age, it appears that many banks in Montana and neighboring states refuse to participate in this program. I have made a number of inquiries to bank officials regarding this refusal to participate in a seemingly good program: "We are primarily interested in cattle"—or wheat or industry or whatever. "We have chosen not to participate in this program." The same tired answers are pretty much repeated wherever one inquires.

In your last election campaign, you expressed concern for Montana's future, its young people, and its material resources. You are to be commended for this concern. I thought perhaps the problem I have stated would interest you because local businesses who do not support their youth certainly do nothing for our state's future. Perhaps Senator Metcalf would also like to know this.

And finally, congratulations on your election success. We are generally pleased with your efforts to represent us. We are particularly pleased with your efforts in strip mining legislation.

Yours truly,

Warren Elwood.

University of Pennsylvania,
Philadelphia, Pa., March 13, 1975.

Hon. James G. O'Hara,
Chairman, Subcommittee on Postsecondary Education, House of Representatives, Washington, D.C.

Dear Congressman O'Hara: In connection with the consideration of HR 3471 I should like to bring to your attention a paragraph contained in a memo written to me by our Director of Federal Insured Loans:

"As you know, the University lends only to students who have been unable to receive a loan through a bank or other lending institution. At present we are approaching the $2 million mark in loans granted to more than 1,000 students. If we had not been an eligible lender it would not be unrealistic to assume that a large number of those students would have been unable to continue their education. FISL is not recommended until every other possible source has been tapped."

As you can see the insured loan program with the University of Pennsylvania as one of the lending institutions is quite crucial to the operation of our total student financial aid program. We trust that the law currently in effect permitting us to make loans will not be modified as proposed in HR 3471.

Sincerely,

Donald S. Murray.

Congress of the United States,
House of Representatives,
Washington, D.C., March 17, 1975.

Hon. James G. O'Hara,
Chairman, Subcommittee on Postsecondary Education, Cannon House Office Building, Washington, D.C.

Dear Mr. Chairman: I am taking the liberty of calling your attention to correspondence I have received from Mr. Michael L. Garcia, Executive Director of Management Marketing Consultants in New Orleans, concerning his proposals for collection of payment on National Direct Student Loans.

I would be most appreciative of your comments on the points Mr. Garcia has raised and the proposals he has advanced.

Thank you very much for your kind attention to this matter.

My warm regards,

Sincerely,

LINDY (Mrs. Hale) BOGGS, M.C.

Enclosures.

MANAGEMENT MARKETING CONSULTANTS,
New Orleans, La., February 1, 1975.

Hon. LINDY BOGGS,
Longworth House Office Bldg.,
Washington, D.C.

DEAR MRS. BOGGS: On Wednesday, October 23, 1974, you very graciously received me in your office in the Federal Building in New Orleans. At that time I briefly recounted to you my desires to offer the services of my firm, Management Marketing Consultants to the Department of Health, Education and Welfare. I was, and still am, interested in their activities with National Direct Student Loans which are granted under Title IV of the Higher Education Act of 1965. My area of interest is the collections of student loans under this program. Since we met two articles have appeared in the *States-Item* which relate to the problems facing HEW. I refer to Jack Anderson's article on the Health, Education and Welfare Department in which he reported that defaulted loans may soon run to a staggering $400 million a year. (Tuesday, December 3, 1974) I make further reference (to an article whose date I don't have) written by John Matthews of the *Washington Star-News* in which he summarized the findings of a study made by Systems Group, Inc., of Washington which was commissioned by the Federal Education Office. It stated that the Federal Education Office estimates that in the current fiscal year 18.5 per cent of outstanding loans will be defaulted, costing the government some $136 million.

These two sources as well as my contacts with area Financial Aid Officers who administer the NDSL program at the various New Orleans' colleges and universities, clearly substantiate the fact that there are collection problems of great magnitude within this fine program. My firm by no means asserts or implies that these collection problems are due to malfeasance or even ineptitude. There are naturally going to be problems inherent in a program that makes funds available to students that have previously demonstrated financial need. Other factors, such as the physical locale of the debtor in relation to the institution making the loan, cause dealings and legal action to be more difficult (e.g., the debtor (student) may travel extensively or reside outside the country). Rather, Management Marketing Consultants views the core of the issue as being a situation whereby functionaries in Financial Aid Offices lack needed strengths in the specifics of good collection techniques and methods. Deficits which my firm can remove by providing the services outlined in the proposals.

Mrs. Boggs, that afternoon that I met with you I was able to see first-hand how unbelievably busy you are. Therefore, let me say that I fully appreciate any time whatever that you are able to spend in looking over my proposals and in offering me feedback as to the worthwhileness of my ideas and advice as to how best to continue in my quest for the implementation of my firm's programs.

It may be helpful for you to know whom I have corresponded with regarding my proposals. I have sent information to Senators Johnston and Long, to Representative Mahon of the Joint Committee on Reduction of Federal Expenditures, and to the Director-Contracts and Grants Division of HEW. I should be deeply grateful if you would forward the information my firm has sent to you to whichever Committee in the House that you feel would have an interest in such matters.

May you continue to enjoy your success.

Sincerely,

MICHAEL L. GARCIA,
Management Marketing Consultants,
Executive Director.

AN ACCOUNTS MANAGEMENT PROGRAM

Since the primary function of a Student Aid Office is to provide students with the wherewithal to attend school, officers in this field necessarily render services and present funds on the basis of need and not purely the liklihood of the students to repay. Yet, because income is necessary to maintain such programs as the National Direct Students Loans, the lending institutions must depend upon all students to repay promptly when payment is due. Although a university or school does not seek to loan money only to those students whose profiles would match those in the lowest default categories, neither can they afford to have a large number of non-paying students on their ledgers. For this reason, they must make sure that students grasp the importance of paying their loans off on time.

While most students may have good intentions about repaying the money made available to them so they could attend school, they will often pay retail bills before Student Loans. Generally, this is because most retail organizations are effective in establishing definite payment policies, sending statements regularly and following up when payments are missed. (Overlooking the fact that nonpayment of retail accounts causes increasing amounts of interest to accrue.) Since people have a tendency to pay those creditors who are most persistent, it is understandable why Student Loans are often paid last. However, this does not have to be the case. Through the proper management of accounts, this situation can be corrected. And this is where an Accounts Management Counselor comes in. . . .

As counselors, MMC can help the Department of Health, Education and Welfare handle the collection side of its operations with Student Loans by setting up an effective Accounts Management Program and providing the necessary training to its employees in the various lending institutions. A program of this kind revolves around three basic steps: Planning, action, and control . . . planning in the sense that you establish policies regarding collections; action in the sense that you send statements regularly and communicate these policies to the students; and control in the sense that you follow up on accounts when payments are missed. The following are explanations in greater detail of this program.

ESTABLISHING POLICIES

The first step in setting up an accounts management program is to establish policies on the following: When monthly statements are to be sent; the date by which payment is expected; the type of payment arrangements which will be accepted; what penalties to assess delinquent accounts that will stimulate payment (additional interest changes, call the whole amount, etc.); what information to obtain from applicants for loans that will aid in determining need but also will aid in locating "skips"; and when an account should be placed with a collection agency or sued on.

Though presently these policies may be well-established, they may bear reexamination; and by clarifying them valuable time will be saved as decisions will be mechanized. In addition, your practice of carrying out these policies will impress students that you operate in an organised and efficient manner and will encourage prompt payment.

It may be added parenthetically that MMC's purpose is not to critically evaluate policies as they now exist, as the firm is not wholly familiar with these policies. Our real purpose, rather, is to present a broad outline of our practices with respect to Accounts Management.

ACTION—SENDING STATEMENTS REGULARLY

No real exposition is required here. It is only necessary to say that statements should be sent on a timely basis to ensure that borrowers are billed before their payment due date. Whatever is done, however, should conform to the administrative capabilities of the lending institution. Two additional Comments are: (1) send statements in an envelope stamped *Address Correction Requested*—this insures forwarding of mail when a change-of-address form has been filed at the Post Office and has the added advantage of having a Form 3547 sent to the sender from the Post Office which will give the lending institution the new address; (2) enclose a self-addressed envelope. The Direct Mail Advertising Association reported that 798 collection letters sent without reply envelopes brought remittances from 42.85% and requests for time extensions from 6.78% for a total of 49.63% answering. A similar mailing of 798 letters which included reply envelopes brought remittances from 45.12% and requests for extensions from 16.8% for a total of 61.92% responding.

Letters and notices. In trying to collect, the efficient collector classifies delinquent accounts and prescribes the best treatment for each. The method is like a process of repeated siftings or screenings. The procedure is a series of mailings, each of which eliminates some names from the delinquent list and aids in reclassifying and prescribing for those remaining.

To do its job best (collect and retain goodwill) the collection series should have the following characteristics:

1. *Promptness.* Credit and collection men know that the sooner they start trying to collect after an account becomes due, the better the chance. The U.S. Department of Commerce has found that a dollar in current accounts is worth only 90 cents after two months, 67 cents after six months, 45 cents after a year, 23 cents at two years, 15 cents at three years, and 1 cent a five years.

2. *Regularity.* Systematic handling of collections increases office efficiency and has a desirable effect on borrowers. They see quickly that they are not going to slip through the holes in a haphazard procedure.

3. *Increasing forcefulness.* Since the collection wants to retain the goodwill of the student as well as collect the money, he starts with as mild a letter as he thinks will work. Like the doctor who uses stronger and stronger medicine or resorts to surgery only as the need develops, he applies more and more forceful methods and resorts to the courts only after less effective methods fail. (See Appendix)

4. *Adaptation.* Procedures should vary according to the quality of the risk. Usually the poorer the risk, the more frequent the mailings and the more forceful the messages. Whereas three months might pass before anything stronger than a few statements go to a good risk, much less time might run a poor one through the whole sifting process and bring him to court.

5. *Flexibility.* The collection procedure has to be flexible to take care of unusual circumstances. The collector would look silly to continue sending letters every 15 days to a man who had answered an early one with the message that an automobile accident had thrown him financially two months behind but that he would pay the bill by a certain date.

The sending of letters and notices is extremely important as this is the method of best choice. This is the least costly way to collect as a system can be developed which will clearly classify an individual as a function of the age of the account (the degree of delinquency) and the quality of the risk. Letters can then be composed which are tailored to each category.

Telephone Contact. It is highly beneficial to reinforce the statements and printed reminders by contacting the borrower by telephone. Some general remarks regarding technique are:

1. *Organize your information* about the borrower and the account he or she owes before calling.

2. *Begin the call by identifying the person who is responsible for paying.* The law prohibits discussing the account with anyone other than the responsible party or his or her spouse.

3. *Identify yourself.* Tell the borrower your name, title and the name of the school or university you represent.

4. *State the facts and ask the borrower for payment.* At this point, the borrower will either agree to pay or he will offer an excuse. If he offers an excuse, listen patiently. Slow payments may be due to a hardship or misunderstanding. The borrower may also have mismanaged his budget and failed to allow for loan payments. In addition, there's the possibility that the statement could have been lost in the mail. By giving the borrower a chance to explain his situation or air any grievances, he will be more receptive to what you have to say.

5. *Motivate the borrower to pay.* People pay because of benefits to themselves rather than sympathy for the collector or any other reason. The good collector points out the benefits of paying now. Do not be surprised by delinquency. Most people who do not pay promptly are still honest and they will pay soon. Some borrowers are in temporary financial difficulty and need only a little more time. Therefore avoid a curt tone. Do not be hurt or disappointed as if let down by a trusted friend. So avoid the injured, pouting tone. You are not the bookkeeper irked by a broken routine. So avoid the tone of exasperation and self-righteousness. Some delinquents, as stated above, are withholding payment because of a

misunderstanding and the problem is really one of adjustment rather than collection. Some will have to be persuaded to pay and an awareness of these factors will be reflected in your attitude—a proper attitude collects the account.

6. *Ask again for payment.* First try to get payment of the balance in full. If that can't be done, ask the borrower what kind of payment arrangements he can make, then agree upon the terms.

7. *Thank the borrower for the anticipated payment.* Make certain that you repeat the terms and have the person write them down. Give the student a deadline for mailing or bringing in the money.

8. *Courteously conclude the conversation.*

Just as exact letters can be developed which meet the needs of given categories of delinquency, so too can precise telephone conversations be tailored to these categories. In the process of training personnel, MMC will teach by way of demonstration; i.e., someone sits down and actually calls the borrowers so that the trainees can learn inflection, tone, and attitude as well as organization. Whereas letters and notices are the least costly, telephone conversations are the most effective method of collections.

ONE FINAL NOTE

This represents a basic guide for setting up an effective accounts management program. By basing the program around the three key steps which have been outlined—planning, action, and control—this will help to insure that a collection effort is organized and efficient.

What has been presented regarding good collection techniques is of the *public knowledge* sort. The real strengths of Management Marketing Consultants lie in the specific, technical aspects of the program—wording letters and notices, constructing telephone conversations, and the techniques of skip-tracing. And, finally, the ability of a trainer to convey this information—the skill of a teacher—bears consideration.

Professional Charges.—To be negotiated.

A COLLECTION SERIES

Stage	Assumption	Nature	Gist
Notification	Will pay promptly	Usual statement	Amount due, due date, terms.
Reminder	Will pay; over-looked	Statement perhaps with rubber stamp, penned note, or sticker; or form letter or brief reference in other letter.	Same as above, perhaps with indication that this is not first notice.
Inquiry	Something unusual; needs special consideration.	1 letter	Asks for payment or explanation and offers consideration and helpfulness.
Appeal	Needs to be persuaded	Letters	Selected appropriate and increasingly forceful appeals, well developed.
Urgency	May be scared into paying	Letter, sometimes from high executive or special collector.	Grave tone of something getting out of hand; still a chance to come through clean.
Ultimatum	Must be squeezed	Letter	Pay by set date or we'll report to credit bureau or sue; review case to retain goodwill by showing reasonableness.

COLLEGE OF MEDICINE AND DENTISTRY OF NEW JERSEY,
Newark, N.J., March 18, 1975.

HON. JAMES G. O'HARA,
House of Representatives,
Washington, D.C.

DEAR SIR: The College of Medicine and Dentistry of New Jersey strongly opposes the Bill HR 3471 to amend Title IV of the Higher Education Act of 1966 and the present statutory authority for the general Federal student financial assistance programs.

In particular, the reduction to $1,500 of the present $2,500 maximum loan under the Guaranteed Student Loan Program, would bring considerable hardship to the administration of our financial aid program, since we presently rely on the majority of our financial aid recipients applying for and receiving an average guaranteed loan in excess of $2,000.

In addition, the termination of Federal capital contributions in the National Direct Student Loan Program would curtail the primary borrowing source for post graduate students in our dental school and the students in our Graduate School of Biomedical Sciences.

The above programs, taken together, form the very basis of our student loan capability, and any reduction or termination in their funding levels will result in our students being forced to seek loans from outside private agencies at high interest rates they can ill afford or to rely on the continually diminishing pool of grant funds which would rapidly be exhausted.

We urge you, therefore, to seriously consider these facts and to withdraw support for HR 3471.

Sincerely,

CHARLES VEVIER, Ph. D.,
Executive Vice President.

GENERAL COLLECTION SERVICE,
Port Huron, Mich., March 24, 1975.

Congressman JAMES G. O'HARA,
Rayburn Building,
Washington, D.C.

DEAR MR. O'HARA: As a past recipient and member of the American Collectors Association, Inc., I urge your consideration to amend the Higher Education Act as proposed.

The Government Student Loan Program gave me the opportunity to complete my college program. I feel a high moral obligation involved in repayment. A third party approach such as the American Collectors, Inc., in the handling of the delinquent student loans with a "No Collection, No Fee" would be beneficial to all.

The Moral, as well as the legal obligation would be pointed out to the delinquent student. There would be no cost to the taxpayers. We continue to have improvements in public relations among collection agencies, debtor public and credit granters, providing a greater respect for the collection agency by the debtor. Increased confidence by these improvements, resulting in less resistance, more dollars recovered at a lower cost per dollar collected.

Our profession is collections, let us be of service for this program.

Sincerely yours,

GEORGE AGOSTINO,
General Collection Service.

FLORIDA DEPARTMENT OF EDUCATION,
Tallahassee, Fla., March 31, 1975.

Hon. PAUL ROGERS,
Rayburn Building,
Washington, D.C.

DEAR PAUL: As you are aware, in recent years Florida has developed a comprehensive program of loans and grants for our citizens pursuing postsecondary education. Two programs, the Florida Insured Student Loan and the Florida Student Assistance Grant, serve as the basic framework for our effort. The two programs will combine to provide over $14.3 million in the current academic year. Each of the programs, which are primarily financed by Florida, receives benefits pursuant to Title IV of the Higher Education Act of 1965, as amended. On February 20, 1975, the Honorable James G. O'Hara of Michigan introduced HR 3471, the "Student Financial Aid Act of 1975." Passage of the bill as introduced would sincerely damage the present program in Florida and negate the progress we have made.

Part "B" of HR 3471 calls for the elimination of the program of direct Federal loan insurance and the establishment of state guaranty agencies throughout the nation. The Florida Insured Student Loan operates with the benefit of the direct Federal loan insurance, as does the program of commercial lenders in Florida. The bill will call for a state guaranty agency in Florida, under which the state would fully insurance loans made by eligible lenders, and the Federal Government would provide reinsurance at 80%.

The bill would limit eligible lenders to only commercial lenders. Therefore, the Department of Education could not serve as a lender.

The effect of HR 3471 (Part B) can be summarized as:

1. Make Florida Insured Student Loans no longer possible.
2. Require the establishment of state guaranty agency.
3. Require the appropriation of 20% reserves to cover defaults on loans made by lenders outside of Government.
4. Change the role of the Department of Education from one of serving students by making direct loans, to one of recruiting commercial lenders and serving the lender by guaranteeing loans.
5. Students now having credit access through the state program could obtain loans only where a willing commercial lender would make a loan. This would be regressive in that the Florida Insured Student Loan was established to overcome the very same condition and to complement the programs then in operation by commercial lenders.
6. Could require a constitutional amendment to allow the establishment of a guaranty agency.
7. Could require the premature amortization of outstanding Student Loan Revenue Bonds, or substantial modification of existing bond covenants.

In fairness to Mr. O'Hara, we recognize that the total Federally Insured Student Loan has a poor record when compared with guaranty agencies. The default rate has been projected at 18% in the Federal program, compared to less than 10% in guaranty agencies. Our contention in disagreeing with Mr. O'Hara is that we are being prejudged as "guilty by association." Since we are a lender in the Federal program and the Federal program has problems, therefore, we are contributing to the problems. This is "burning the barn to get rid of the rats."

In Part "A" of HR 3471, Mr. O'Hara proposes a substantial expansion of the State Student Incentive Grants Program (SSIGP). The present law provides for matching grants to states administering need-based grant programs as an incentive to maintain the programs. Florida received $564,055 for the current year and will receive $581,028 for 1975–76 awards. The grants are added to the legislative appropriation for the FSAG Program each year. For the current year the Congress appropriated $19 million and $20 million for 1975–76. The present formula for allocating funds among the states is based on proportionate headcount enrollment. The bill calls for an annual appropriation of $200 million through 1980. The formula for distributing funds is much more complex and allegedly is designed to recognize state efforts to provide higher education at minimal cost to the student or provide sufficient aid resources for students.

The formula is designed to aid those states with heavy resident enrollments, low tuition plans, high per capita expenditures, large student aid programs and to penalize those without the above. We oppose the use of a new formula, not only because Florida's share of the total would be reduced, but also for the following reasons. First, the present formula works well, with only two years experience. Second, the bill would distribute the entire $200 million by formula, thereby removing the ability to recognize increased state efforts without reducing the allocation of a sister state. Third, debtor states, importing students from other states would receive a boost with respect to the student population factor but lose with respect to the tuition receipts factor which would be inflated by a relatively high portion of non-resident fees.

The bill expands eligible state programs for matching to include state work-study programs and zero or low tuition plans. The option would rest with the state as to which direction to move. Zero tuition is a controversial point. It does not appear to be within the purview of Congress to influence tuitions set by state law.

Other sections of the bill will indirectly affect the state financial aid program. The campus aid programs in Florida will be severely effected. The National Direct Student Loan Program (NDSLP) will be eliminated. The Supplemental Educational Opportunity Grants Program (SEOGP) will be changed from pure need-based to aid students with merit who also have demonstrated need. The College Work-Study Program (CWSP) would no longer be based on need, but along vocational lines. The eligibility criteria for the Basic Educational Opportunity

Grant Program (BEOGP) would be liberalized to provide eligibility for more, less needy, students.

We are very concerned that the Congressman has not given sufficient thought as to who will pick up the slack which will be created. The economy has caused a documentable increase in the demand on existing programs. Without the "safety valve" of the Florida Insured Loan Program, we could offer nothing to Florida citizens with need. With the potential loss of NDSLP, there will be practically no relief through the campus for the needy student.

I sincerely request your consideration of the effect of HR 3471 on the postsecondary education planning of Florida citizens.

Sincerely,

RALPH D. TURLINGTON, *Commissioner.*

COLLEGE FOUNDATION, INC.,
Raleigh, N.C., April 11, 1975.

Hon. JESSE HELMS,
U.S. Senate, Washington, D.C.

DEAR SENATOR HELMS: Thank you for your letter requesting information about the College Foundation and the effects of H.R. 3471 "Student Financial Aid Act of 1975."

The Foundation, a private, nonprofit corporation and central lender for North Carolina, has been an "eligible lender" under Title IV, Part B of the Higher Education Act of 1965 for the past nine years. The Foundation's first loans were made in 1963 under the N.C. Bankers Student Loan Plan.

Section 434(a) of H.R. 3471 redefines "Eligible Lender" and excludes direct state programs and nonprofit corporations such as College Foundation. We have been working with the N.C. State Education Assistance Authority, our state guarantee agency, and through the National Council of Higher Education Loan Programs to get the definition changed and suggest the following language:

"DEFINITION OF ELIGIBLE LENDER"

Section 434(a) as used in this part, the term "eligible lender" means (1) a financial or credit institution (including an insurance company) which is subject to examination and supervision by an agency of the United States or of any State or (2) a pension fund approved by the Commissioner for this purpose or (3) an agency or instrumentality of a State or (4) a public or other nonprofit institution or corporation.

We appreciate your interest and efforts on our behalf.

Sincerely,

DUFFY L. PAUL, *Executive Director.*

THE MERRILL TRUST CO.,
Bangor, Maine, April 17, 1975.

Representative JAMES G. O'HARA,
Chairman, Special Subcommittee on Education,
Rayburn Office Building, Washington, D.C.

DEAR REPRESENTATIVE O'HARA: I have just received a copy of the statement which Charles W. V. Meares, President and Chief Executive of United Student Aid Funds, presented to your committee on March 26, 1975.

I deal with student loans on a daily basis in my capacity as the Merrill Trust Company's resident student loan "expert", and I am fully aware of the many problems involved in the administration of loans to worthy and deserving students.

In order to expound upon several of the points which Mr. Meares covered in the context of his statement, I have decided to write you.

I strongly support any consideration to increase the special allowance to lenders. In order to be actively involved in the student loan program there is a large volume of administrative paperwork and the time factor required to keep on top of the many program changes is noteworthy. The current maximum special allowance rate of 3% is justifiable when prevailing interest rates are in the 7% to 9% range. Last summer when the national prime was in excess of 11% a special allowance of 3% did not nearly cover our cost of funds. I strongly endorse Mr. Meares' statement that the special allowance be placed "at a level where the total return to the lender will represent something like adequate compensation for the Funds advanced and the many problems involved". I endorse the provision that the Special allowance be increased an automatic additional 2% over the present formula to cover administrative costs and services. I also feel that an additional allowance could possibly increase lender activity in the student loan program by providing an added incentive for participation.

As far as loan limits are concerned, I feel that the present limits are satisfactory, as I'm sure most lenders use a certain degree of discretion in determining a prespctive borrower's loan request. This Bank currently "tries" to limit student loans to a maximum of $1,000 per academic year in order that a student's debt be controllable during repayment.

The present ceiling of $2,500 per year allows the needed assistance to our students attending medical or dental schools; the cost of which schools often approaches $10,000 per year. In a state such as Maine a bank investing $2,500 for a young doctor or dentist could be a small investment to lure a professional person back to our area.

Finally, I support Mr. Meares' request that teh $360 minimum payment rule be flexible so that a bank might use its good discretion in realistic hardship cases.

Mr. O'Hara, I hadn't intended to be quite so lengthy, but I do feel the points I have touched upon are important. Any consideration which you could give would certainly be appreciated.

Very truly yours,

TIMOTHY L. HEALY, *Assistant Treasurer.*

UNITED STATES LEAGUE OF SAVINGS ASSOCIATIONS,
Washington, D.C., April 18, 1975.

Representative JAMES G. O'HARA,
Chairman, Subcommittee on Postsecondary Education,
Committee on Education and Labor, Washington, D.C.

DEAR CHAIRMAN O'HARA: The U.S. League of Savings Associations appreciates the opportunity to submit its comments regarding H.R. 3471, the Student Financial Aid Act of 1975 and companion legislation, H.R. 4376, the Student Loan Amendments of 1975. By way of introduction, the U.S. League of Savings Associations (formerly the United States Savings and Loan League) has a membership of 4,600 savings and loan associations, representing over 98% of the assets of the savings and loan business. U.S. League membership includes all types of associations—Federal and State chartered, insured and uninsured, stock and mutual—in each of the fifty states, Puerto Rico, the Virgin Island and Guam.

The savings and loan business has supported the Guaranteed Student Loan Program since its inception. Since passage of the Higher Education Act of 1969, the U.S. League has encouraged its members to participate to the greatest extent possible. In addition, the U.S. League has endeavored to keep its membership informed about the various facets of the Guranteed Student Loan Program. Officials from the Office of Education have appeared at numerous U.S. League meetings. Exhibit space has been donated for use of HEW personnel to explain the Student Loan Program to delegate attending the U.S. League Annual Conventions.

We are pleased that the Subcommittee has introduced legislation such as H.R. 3471 that relates to the special needs of educational institutions, students and lenders. From the outset, we wish to impress the Subcommittee members that we have supported the continuation of the Guaranteed Student Loan Program. Such a program plays an important role in enabling students from lower and middle income families to obtain a post secondary education.

It should be noted, however, that savings and loan associations which have participated in the Guaranteed Student Loan Program have expressed concern over the frequent changes in various lending and student eligibility requirements. Basic questions such as, what students are eligible for guaranteed loans, what students are eligible for the special 3% interest subsidy allowance, and what is the appropriate definition of an "eligible lender", are still subject to interpretation and change. The legislation before the Subcommittee will resolve many of these questions by statutory definition. We feel this is a most desirable and effective approach. Congress should establish the basic guidelines—thus enabling the lender to understand fully the requirements and limitations of the Student Loan Program.

For the Subcommittee' consideration, we offer these additional comments. Continual changes have occurred in the Guaranteed Student Loan Program since its inception. These changes have caused lenders tremendous administrative problems. Loans made at different times by different rules and regulations must be separately accounted for and monitored. Staff personnel making these loans have had to be continually retrained to keep up with different procedures, different forms and so forth. These continual changes not only make it much more difficult for any lender to administer but also discourage entry and/or continued participation on the part of the lender.

A particular problem has been created by a recent interpretation by the Commissioner of Education (*Federal Register*, Vol. 40, No. 37, P. 7961, February 24, 1975) followed by proposed rule making (*Federal Register*, Vol. 40, No. 58, P. 13.282, March 25, 1975) illustrates such action. The interpretation indicates that HEW will not honor default claims for nonpayment of an insured student loan where the borrower's educational institution has gone out of business, since the borrower presumably has a legal defense (failure of consideration) against the school. The interpretation, in effect, makes the lender an "insurer" of the college or trade school's success. This particular action represents yet another change in the program to which lenders must adapt. Importantly, the interpretation is retroactive—thereby depriving lenders and other affected parties of the ability to adapt their operations in advance of the effective date of the regulations. Such action, if allowed to stand would erode lenders' confidence and discourage participation in the program. We urge the Subcommittee to correct this situation through appropriate legislative language or legislative history.

We thank the Subcommittee for this opportunity to present our views.

Sincerely,

ARTHUR B. EDGEWORTH,
Director, Washington Operations.

NEW YORK HIGHER EDUCATION ASSISTANCE CORP.,
Albany, N.Y., May 1, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Postsecondary Education, House Education and Labor Committee, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN O'HARA: The New York Higher Education Assistance Corporation, one of the 24 state agencies operating within the Guaranteed Student Loan Program, completed its fiscal year on March 31 with a historic record $178 million in loans that was coupled with a 12 percent reduction in defaults. Default dollars are running 6.7 percent of all this Corporation's matured loans.

I am enclosing a copy of the Corporation's news release announcing the fiscal year statement. You will find information and data in it supporting your legislation requiring the establishment of student loan guaranteeing agencies in all states.

Sincerely,

J. WILMER MIRANDON, *President.*

Enclosure.

FOR RELEASE: A.M. NEWSPAPERS, MONDAY, APRIL 28, 1975

Contradicting national economic trends and exceeding its own third-quarter predictions, the New York Higher Education Assistance Corporation (NYHEAC) reported a historic record $178 million in guaranteed student loans that was coupled with a 12 percent reduction in defaults for the fiscal year ended March 31, 1975.

NYHEAC President J. Wilmer Mirandon pointed out that the new high of $178,433,142 in loans made available by New York financial institutions exceeded by $11 million the former peak of $167,419,745 established three years ago. In the face of a tight money market, banks nevertheless provided $32,296,097 *more in capital than last year.*

The Corporation's fourth quarter summaries indicate 20,086 student loans worth $23,146,172 were processed, bringing the 12-month total to 130,60[illegible] student loans valued at $178,433,142. Some 64,310 of these were first-time loans, up from 53,470 last year and proving that first-time student borrowers can depend upon New York lenders during an economic downturn. Although increased grants are now available through the new Tuition Assistance (TAP) Program, the average student loan account continued to climb to a new high of $1,366 in contrast to the former high of $1,242 a year ago. However, the extended repayment of this amount is still comparable to installments on a car that depreciates in value, totally unlike an education.

"The significance of the Corporation's record-making activities takes on additional importance in the nation's overall financial aid picture because NYHEAC handles 20 precent of all the guaranteed student loans written throughout the United States," Mirandon stated.

The NYHEAC Chief Executive Officer indicated that while he and the officers of the Corporation were pleased with the increased dollar volume of student loans provided by banks, there was even greater pride in the diminishing number of default claims purachsed under its guarantee to lenders.

Purchase of defaulted loans by NYHEAC is down 12 percent; 12,364 claims from a high of 14,117 that occurred during the peak default period of fiscal 1973–74. Moreover, 18,207 potential defaults were averted by counselling students and placing them in repayment with their lenders. This 60% aversion ratio, an improvement from 42% of last year, proves that students willingly accept their obligation when it is clearly understood. Default dollars are running about 6.7 percent of all NYHEAC's matured dollars. $895 million of the $1.44 billion guaranteed by the Corporation has matured since its establishment in 1958 and approximately $580 million of the $1.44 billion borrowed has been reimbursed to date. The remainder is in repayment or not yet due.

Mirandon was quick to emphasize that defaults are not total losses, as the public tends to believe, but are collectible over an extended period of time.

"I believe the overwhelming majority of student borrowers are responsible and appreciative of these low cost loans. Even those students who have defaulted are now repaying the Corporation. Our collections are averaging $400,000 a month, more than twice as much as was collected before", he said.

The NYHEAC official said the overall student loan picture throughout the United States has received some unfortunate publicity because of defaults in two other phases of Federal Government's loan programs: National Direct Student Loans, where the schools lend directly to students but fail to provide strong follow-up efforts; and Federally Insured Student Loans (FISL) that are available in 24 states which do not have guaranteeing and servicing agencies such as NYHEAC. In these two non-agency programs, defaults have ranged from about 11 to 24 percent, two to three times higher than in agency states.

Mirandon added that the success of the agency states in keeping defaults down to a managable level while providing almost 30 percent more loans to students, undoubtedly influenced recent Federal legislation introduced by Congressman, James O'Hara, Chairman of the Sub-Committee on Postsecondary Education, House Committee on Health and Education, that calls for the establishment of agencies in every state to guarantee student loans under strict Federal coordination and regulation.

"Guaranteed student loans, issued by lending institutions from their own private capital, are, from a taxpayer's viewpoint, the least expensive means of aiding students in any substantial manner", Mirandon stated. "The lending institutions have an opportunity to participate in educational development, at a recent yield of 9.4 percent in subsidized interest, while creating a new group of customers among college graduates. With the growth of the Student Loan Marketing Association, "Sallie Mae" in New York and NYHEAC's expected ability to service lenders in attaining greater liquidity, the program is considered to be reasonable and inexpensive. However, we are the first to insist that student loans should be used with moderation and as a last resort in the total financial aid package", he emphasized.

NYHEAC officials also credited New York's diminishing default ratio to the willingness of the lending institutions to apply measures of forbearance and deferred repayments to assist temporarily distressed borrowers. By extending the repayment period, or temporarily eliminating principal from the repayments, the borrower still meets interest due on the note which in most cases is managable.

"Our lending institutions realize it is counterproductive to cause an intelligent young adult to carry a credit stigma for many years because of an unnecessary default," Mirandon said. Numerous bank presidents among the 474 participating New York lenders have indicated that they have practiced a judicious policy of assisting student borrowers to ease their predicament during these unsettled economic times.

Corporation officials said there was a surge of activity in student loans in April 1974, the beginning of NYHEAC's lats fiscal year, when the Federal Government removed the necessity for a needs test for applicants coming from homes where the adjusted family income was $15,000 or less. They noted that inflated campus costs and a reduction in the family contribution also had a booming effect on loan applications.

"Loans should be negotiated only after all other scholarship and tuition awards have been exhausted," Mirandon stated. "And, with the enlarged amounts of Federal Government's Basic Educational Opportunity Grant and our own State's Tuition Assistance Program, the amount of each loan should now stabilize itself instead of growing each academic year to meet inflationary costs passed on to the student."

Under Federal regulations, students coming from homes where the income is $15,000 or less after making certain standard adjustments may obtain the loans which are interest free until they complete college. Then the loan repayment is based on a 7 percent interest.

For Students coming from families whose adjusted income is between $15,000 and $30,000, the State now pays four-sevenths interest on the standard 7 percent loan with the student paying 3 percent from the time the loan is authorized. After the student graduates, the loan plus the 7 percent interest is paid by the student. There are more than 11,000 student borrowers in this growing category.

NYHEAC was organized in 1958, and it now has guaranteed to 715,431 New York students—twice as many as any other State—loans valued at $1.44 billion.

In July 1975 NYHEAC will be merged into the New York State Higher Education Services Corporation which will provide the delivery mechanism for all State scholarships and grants, as well as continuing the loan guarantee program.

PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY,
Harrisburg, Pa., May 2, 1975.

Hon. JAMES G. O'HARA,
Congressman of the United States, U.S. House of Representatives, Cannon House Office Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: After reviewing a number of cases where the Pennsylvania Higher Education Assistance Agency has purchased a student's loan from a lending institution, I find that the last phrase of Section 428(c)(2)(D) of Title IV, Part B of the Higher Education Act, which requires state agencies to apply all amounts paid by a defaulted borrower first to the reduction of principal owing on the loan, tends to encourage defaults because the student pays less interest when repaying the guarantor than he would when repaying the original lender.

This requirement not only tends to encourage defaults, but also makes it very difficult to collect the interest once the principal is paid off. For these reasons, I am asking your consideration of deleting the phrase at the end of Section 428(c)(2)(D) which reads as follows:

"Provided, That, except as the Commissioner may otherwise by or pursuant to regulation provide, amounts so paid by a borrower on such a loan shall be first applied in reduction of principal owing on such loan"

If you have any questions or wish to discuss this matter further, please do not hesitate to contact me.

Sincerely yours,

KENNETH R. REEHER.

Congress of the United States,
House of Representatives,
Washington, D.C., May 6, 1975.

Mr. M. F. Browne, C.L.U.,
Executive Vice President, Marketing,
Durham Life Insurance Co., Raleigh, N.C.

Dear Cou: Many thanks for your recent letter regarding H.R. 3471.

As you know, I am a member of the Subcommittee on Post-secondary Education which has been holding extensive hearings on H.R. 3471. We have been receiving testimony from many private and public colleges and universities across the nation. I share the concern of many North Carolinians about various provisions of this bill, and I will be working to help come up with the best possible legislation. I am taking the liberty of sharing your comments with Chairman O'Hara and am asking that every consideration be given to your views. I hope you will share your further thoughts on this legislation with me. I will continue to need your good advice and counsel on this and other matters of mutual concern.

I was so sorry that I didn't get to meet with Warren Yeatts while he was in Washington. He did meet with one of our staff members, and I got a good report.

Hope to see you soon!

Sincerely,

Ike Andrews,
Member of Congress.

Durham Life Insurance Co.,
Raleigh, N.C., April 8, 1975.

Hon. Ike Andrews,
U.S. House of Representatives,
Cannon House Office Building, Washington, D.C.

Dear Ike: This is a follow up to my letter of March 14 and our conversation on April 5 concerning H.R. 3471, "Student Financial Aid Act of 1975" and the College Foundation, Inc., the central lender for the Insured Student Loan Program in North Carolina.

Section 434(a) defines "eligible lender" as a financial or credit institution and eliminates educational institutions, direct state programs and private nonprofit organizations such as College Foundation. I encourage you to seek a change in the definition of eligible lender to include direct state programs and other nonprofit organizations such as College Foundation.

As of March 31, 1975, College Foundation had $19,236,520 outstanding to over 12,000 North Carolina students. The Foundation default rate for nonpayment of insured loans was 5.3 percent of matured paper on December 31, 1974, which is less than half the national average on defaults.

Your assistance in getting the language in the bill changed will be greatly appreciated.

Cordially,

M. F. Browne,
Executive Vice President.

○